



Commonwealth of Pennsylvania

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# Comprehensive Annual Financial Report

For the Fiscal Year  
Ended June 30, 2020

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Governor  
Tom Wolf

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# ***Commonwealth of Pennsylvania***

## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2020**

***Tom Wolf, Governor***



**Prepared By:  
Office of the Budget**

***Jen Swails  
Secretary***

***Brian Lyman, CPA  
Chief Accounting Officer***

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**Commonwealth of Pennsylvania  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020**

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COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

JEN SWAILS  
SECRETARY  
GOVERNOR'S OFFICE OF THE BUDGET

December 14, 2020

To the Honorable Governor, Lieutenant Governor, Members of the General Assembly, and Citizens of the Commonwealth of Pennsylvania:

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Pennsylvania (Commonwealth) as of and for the fiscal year ended June 30, 2020. The Office of the Budget, Office of Comptroller Operations, prepared this report, which includes the Basic Financial Statements, pursuant to the power vested in the Governor under Section 701 of the Administrative Code and delegated to the Secretary of the Budget by Executive Order No. 1984-3, dated October 11, 1984.

The Basic Financial Statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). We believe the financial statements are fairly stated in all material respects and that they are presented in a manner designed to fairly report the Commonwealth's financial position, results of operations, and changes in net position/fund balances. All disclosures necessary to enable the Governor, the members of the General Assembly, the public, and the financial community to fully understand the Commonwealth's operations and financial affairs have been included. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the Commonwealth of Pennsylvania, Office of the Budget, Office of Comptroller Operations. The Commonwealth relies on its comprehensive framework of internal control in the preparation of Basic Financial Statements. The Commonwealth has established a cost-effective system of internal controls that is however, subject to inherent limitations. As is in any system of internal controls, there is reasonable, but not absolute, assurance as to the effectiveness of the internal control system.

The Commonwealth's June 30, 2020 Basic Financial Statements have been jointly audited by the Department of the Auditor General and CliftonLarsonAllen LLP, an independent public accounting firm. The independent auditors' unmodified opinion is included in the beginning of the Financial Section of this CAFR. The auditors' opinion provides a reasonable basis for users to rely on the information that is included in the Basic Financial Statements.

Management's Discussion and Analysis (MD&A), which precedes the June 30, 2020 Basic Financial Statements, provides an overview of the Commonwealth's financial position and activities thus helping readers to understand the Basic Financial Statements. This section immediately follows the auditors' opinion. In addition to the MD&A and Basic Financial Statements, this CAFR includes: budgetary comparison schedules; combining fund financial statements; other supporting schedules; narrative information describing individual funds; and statistical tables presenting financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as reported over the last ten fiscal years.

## **PROFILE OF THE GOVERNMENT**

Pennsylvania, also known as the Keystone State, is one of only four Commonwealths in the United States. Pennsylvania earns the title of Commonwealth as a result of its organization by the common consent of the people during colonial times.

The Commonwealth of Pennsylvania provides a wide range of services to enhance the quality of life for its 12.8 million citizens. The Commonwealth divides these essential services into seven broad program categories, consisting of direction and supportive services, protection of persons and property, health and human services, public education, economic development, transportation, and recreation and cultural enrichment. This programmatic approach enables Pennsylvania to effectively serve its citizens.

The Commonwealth of Pennsylvania, aside from the defined primary state government, is also accountable for a number of legally-separate component unit organizations. The major discretely presented component units in Pennsylvania include the Pennsylvania Turnpike Commission, the Pennsylvania Housing Finance Agency, the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Infrastructure Investment Authority, and the State System of Higher Education. Although the Commonwealth does not directly control or operate these component unit organizations, it is still financially accountable for them, and therefore, includes them in the Commonwealth's financial reporting entity and reports them separately within its government-wide financial statements. The Commonwealth of Pennsylvania also accounts for two additional component unit organizations, the Commonwealth Financing Authority and the Philadelphia Regional Port Authority. These organizations function as an integral part of the Commonwealth's primary government; therefore, their financial information is blended with the Commonwealth's primary government financial information.

Pennsylvania government has three distinct branches: the legislative branch, the judicial branch, and the executive branch. The legislative branch, comprised of the Senate and House of Representatives, develops and passes the Commonwealth's laws. The judicial branch, made up of the Pennsylvania Supreme Court as well as other specialized courts, serves the Commonwealth by interpreting the laws put in place by the legislative branch. The executive branch, consisting of the elected Governor, Auditor General, Attorney General, State Treasurer, and other appointed officials, works to enforce the laws established by the legislative branch. With these three branches of the Pennsylvania state government, an effective system of checks and balances is created. The Commonwealth's principal leadership and organization charts at June 30, 2020 are incorporated immediately following this letter.

## **GENERAL FUND**

The General Fund, the Commonwealth's largest operating fund, may be used to assess Pennsylvania's financial position and activities for the fiscal year ended June 30, 2020. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in special funds, and accounts for a significant portion of Commonwealth expenditures. Tax revenues, principally personal and corporate net income, and sales and use taxes, constitute approximately 97.9% of the General Fund budgetary basis state revenues.

## **BUDGET ADOPTION AND LEGAL COMPLIANCE BUDGETARY COMPARISON SCHEDULE**

A discussion of the Commonwealth's annual budget process is included as Required Supplementary Information (RSI) immediately following the Notes to the Financial Statements. The legally adopted budget provides statutory control over spending. Under Commonwealth law, expenditures cannot exceed amounts appropriated. Budgetary control is exercised by specific, line-item appropriations. The Budgetary Comparison Schedule, included as RSI, provides original budget, final budget and actual budgetary results for the fiscal year ended June 30, 2020.

**BUDGETARY BASIS GENERAL FUND BALANCE INCREASE/(DECREASE)  
FIVE MOST RECENT FISCAL YEARS**

The following table shows the General Fund’s year-end fund balance and increases or decreases on a budgetary basis at the end of the five most recent fiscal years (amounts in millions):

**Budgetary Basis General Fund Balance  
Increase/(Decrease) Last Five Fiscal Years at June 30**

<u>Fiscal year</u>	<u>Balance/Deficit</u>	<u>Increase/Decrease</u>
2020	\$ (2,734)	\$ (2,764)
2019 (revised)	30	63
2018 (revised)	(33)	1,492
2017 (revised)	(1,525)	(1,530)
2016 (revised)	5	(252)

During the fiscal year ended June 30, 2020, General Fund expenditures exceeded General Fund revenues and other sources by \$2,764, and at June 30, 2020, the Commonwealth reported a budgetary basis deficit of \$2,734 in the General Fund. The budgetary basis results for the fiscal year ended June 30, 2020 include revenue collections totaling \$73,112, less appropriation authorizations totaling \$76,076, plus other net financing sources totaling \$200. Included in the \$76,076 appropriation authorizations are \$82 of state supplemental appropriations and \$1,413 in federal supplemental appropriations authorized for the fiscal year ended June 30, 2020 (amounts in millions).

**ECONOMIC CONDITION**

Pennsylvania benefits from a highly diversified economy with a mix of industries. No single employment sector dominates Pennsylvania. Since the turbulent diversification of the Pennsylvania economy during the 1970’s and 1980’s, Pennsylvania has a much more stable economy which tends to track the national economy but with less volatility. During periods of national economic contraction, Pennsylvania often will outperform the U.S. in areas such as growth in real gross state product, growth in real personal income and employment growth. Pennsylvania’s unemployment rate generally trends below the U.S. rate and per capita income levels in the commonwealth exceed national levels. However, during periods of economic expansion, Pennsylvania will often lag behind the rate of growth in the national economy.

The Marcellus shale natural gas deposit is a long-term asset for the state and region, although drilling activity has slowed due to low prices for natural gas. The buildout of infrastructure to transport the gas to market continues, with construction of pipelines, compressing stations and processing facilities continuing to benefit Pennsylvania. Development of natural gas continues to be a factor for Pennsylvania’s economic outlook. Direct employment in natural resources and mining is small relative to the total jobs in the state but other industries, such as construction, transportation, and professional services have benefited from the natural gas industry. Longer-term, Pennsylvania’s competitiveness in manufacturing should be enhanced by the decreased costs of energy and petrochemical feedstocks coming from beneath the state.

Portions of the state, especially the Pittsburgh area, have become magnets for high-tech jobs such as software development and robotics. Pittsburgh has continued to build on its reputation as one of the nation’s leading cities for startup businesses, in part due to the presence of its universities and the graduates they produce.

Education and health care sectors remain a vital part of the state economy. The health care sector expects to benefit from increased demand building upon expanded insurance coverage already provided through the Affordable Care Act. Pennsylvania also boasts many top-flight research hospitals that draw patients from outside the state. The state’s education providers, especially its notable research universities, not only provide jobs on campus but also help to nurture new businesses with the graduates they produce.

Pennsylvania's industry diversification provides greater stability during periods of economic challenge. As with the nation, the coronavirus (COVID-19) pandemic creates financial stress to Pennsylvania employers and employees. The Commonwealth continues efforts to develop programs to mitigate and provide financial relief during the pandemic.

### **LONG-TERM FINANCIAL PLANNING**

During fiscal year 2019-20 the Commonwealth shared with the globe in facing unprecedented circumstances and severe fiscal obstacles in response to the coronavirus (COVID-19) pandemic. While resolved to continually improve its overall financial condition with an emphasis on improving the strength of its General Fund, and ultimately providing for additional resources within the Commonwealth's budget stabilization reserve fund, due to economic recession and lost revenues resulting from the pandemic, the General Fund experienced an unexpected deficit of \$2.7 billion. To combat these extraordinary conditions, the Commonwealth continues to maximize opportunities for federal funding and utilization of other special funds to meet critical program and administrative needs.

Act 23 of 2020 (amending the Fiscal Code) extends the assessment on managed care organizations (MCO) authorized and implemented under Article VIII-I of the act of June 13, 1967 (P.L. 31, No. 21), known as the Human Services Code, until June 30, 2025, anticipated to provide approximately \$1.7 billion in annual assessment revenues that will be used to support MCO payments.

As the Commonwealth plans for the 2021-22 fiscal year, agencies continue to prioritize sound budget planning. Given the significant financial and operational impacts, both realized and anticipated, of the COVID-19 pandemic, the focus is not only on cost-containment, but on cost reduction while maintaining critical programs.

To mitigate spending growth, the Commonwealth continues to monitor all state agency expenditures and accountability of program effectiveness. Hiring and spending is restricted to only those areas which are necessary to maintain the Commonwealth's health and safety programs and other core functions. In addition, agencies are urged to identify inefficiencies created by outdated legislative mandates as well as regulatory changes to streamline program operations.

Updated projections of the Commonwealth's financial activity and expenditures will be included in the Governor's Fiscal Year 2021-22 Executive Budget request which will be available on February 2, 2021 via the Office of the Budget's website ([www.budget.pa.gov](http://www.budget.pa.gov)).

### **CERTIFICATE OF ACHIEVEMENT**

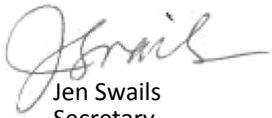
The CAFR will be submitted to the Government Finance Officers Association of the United States and Canada (GFOA) to determine its eligibility for the GFOA's Certificate of Achievement for Excellence in Financial Reporting. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Pennsylvania for its CAFR as of and for the fiscal year ended June 30, 2019. This represents the thirty-fourth consecutive year the Commonwealth of Pennsylvania has received this award.

To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized CAFR, which conforms to GFOA standards and satisfies both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. We believe the CAFR of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2020 conforms to the GFOA's award criteria.

## ACKNOWLEDGMENTS

We wish to express our appreciation to the staff of the Office of the Budget, Office of Comptroller Operations and Commonwealth agencies whose time and dedicated effort made this report possible and, at the same time, to reaffirm our commitment to you to maintain the highest standards of accountability in financial reporting to the citizens of the Commonwealth.

Sincerely,

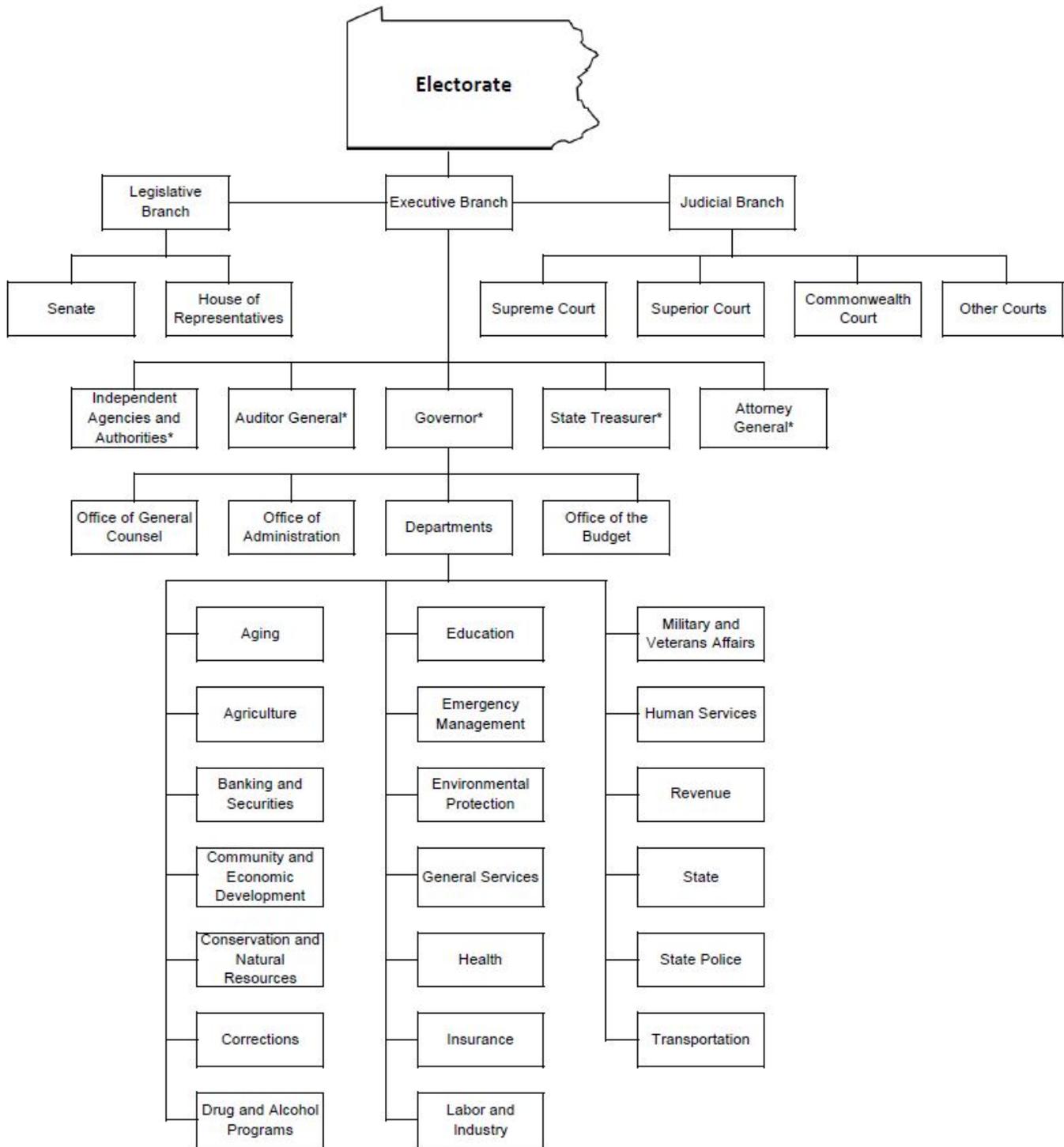


Jen Swails  
Secretary  
Office of the Budget



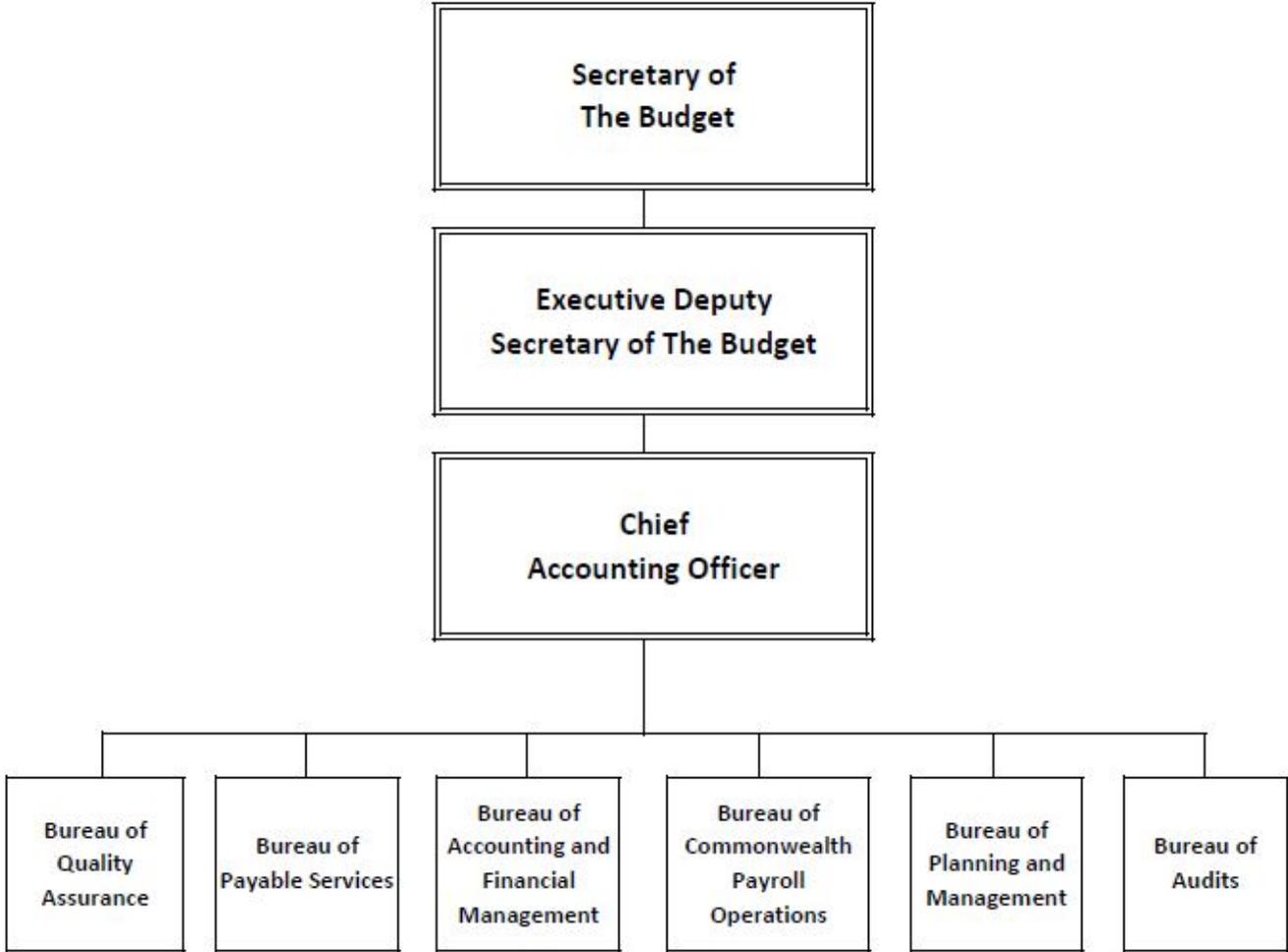
Brian Lyman, CPA  
Chief Accounting Officer  
Office of the Budget

**COMMONWEALTH OF PENNSYLVANIA  
ORGANIZATION CHART  
June 30, 2020**



\*Independently Elected

OFFICE OF THE BUDGET  
OFFICE OF COMPTROLLER OPERATIONS  
ORGANIZATION CHART  
June 30, 2020



Principal Leadership

Commonwealth Elected and Selected Appointed Officials as of June 30, 2020

Tom Wolf, Governor

John Fetterman, Lieutenant Governor

Joe Torsella, Treasurer

Eugene DePasquale, Auditor General

Josh Shapiro, Attorney General

Jen Swails, Secretary of the Budget

Michael Newsome, Secretary of Administration

Joseph Scarnati, President pro Tempore, Senate

Mike Turzai, Speaker of the House

Thomas Saylor, Chief Justice State Supreme Court



Government Finance Officers Association

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**Commonwealth of Pennsylvania**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Financial Section



Department of the Auditor General  
 Commonwealth of Pennsylvania  
 Harrisburg, Pennsylvania 17120-0018



CliftonLarsonAllen LLP  
 CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

The Honorable Tom Wolf, Governor  
 Commonwealth of Pennsylvania  
 Harrisburg, Pennsylvania

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to jointly express opinions on these financial statements based on our audit. We did not jointly audit the financial statements of certain funds and component units of the Commonwealth, which represent the indicated percent of assets and deferred outflows of resources and revenues or additions as presented in the table below. Those financial statements were audited by other auditors, including CliftonLarsonAllen LLP and the Commonwealth of Pennsylvania's Department of the Auditor General acting separately, whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and component units, are based solely on the reports of the other auditors.

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
<b>Business-Type Activities</b>	Tuition Payment Fund; State Stores Fund; Commonwealth Financing Authority; Philadelphia Regional Port Authority	33%	9%
<b>Major Proprietary Fund</b>	Tuition Payment Fund	100%	100%
<b>Major Proprietary Fund</b>	State Stores Fund	100%	100%
<b>Major Proprietary Fund</b>	Commonwealth Financing Authority	100%	100%
<b>Aggregate Discretely Presented Component Units</b>	Pennsylvania Turnpike Commission; Pennsylvania Housing Finance Agency; Pennsylvania Higher Education Assistance Agency; Pennsylvania Infrastructure Investment Authority; State System of Higher Education; State Public School Building Authority; Philadelphia Shipyard Development Corporation; Port of Pittsburgh Commission; Pennsylvania Industrial Development Authority; Pennsylvania Convention Center Authority; Thaddeus Stevens College of Technology; Pennsylvania Higher Educational Facilities Authority	100%	100%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
Aggregate Remaining Fund Information	Philadelphia Regional Port Authority; State Employees' Retirement System; Deferred Compensation Fund; Public School Employees' Retirement System; Tuition Account Investment Program; INVEST Program	92%	69%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

*Change in Accounting Principle*

During fiscal year ended June 30, 2020, the Commonwealth adopted GASB Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the Commonwealth reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

*Pennsylvania Turnpike Commission*

The Pennsylvania Turnpike Commission, a discretely presented component unit, has committed to making significant payments under an Amended Lease and Funding Agreement as required under the terms of Act 44 of 2007 and Act 89 of 2013. The Pennsylvania Turnpike Commission's ability to make such payments is dependent on its continuing capability to issue bonds to fund such payments and ultimately to raise tolls sufficient to repay its bonded debt and current lease payments (see Note 16). Our auditors' opinion was not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20-44, and the schedules of pension and OPEB amounts and the budgetary comparison schedules, as listed in the table of contents and notes to the required supplementary information on pages 200-209 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The introductory section, combining fund and component unit financial statements, budgetary comparison schedules for budgeted non-major special revenue funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund and component unit financial statements, and the budgetary comparison schedules for budgeted non-major special revenue funds, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Harrisburg, Pennsylvania  
December 14, 2020



Baltimore, Maryland  
December 14, 2020



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Management's Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) of the Commonwealth of Pennsylvania’s (Commonwealth’s) Comprehensive Annual Financial Report (CAFR) is presented as Required Supplementary Information and provides a review and analysis of the Commonwealth’s financial statements for the fiscal year ended June 30, 2020 and a comparison to the prior fiscal year. The MD&A should be reviewed in conjunction with the Letter of Transmittal, which begins on page 5 of this report, and with the Commonwealth’s financial statements, which follow.

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**Section A: Understanding Government Financial Statements**

**Three questions are the focal points of the financial data in this report:**

- 1) Near-term financing: Will the government be able to pay its bills (both expected and unexpected) on time?
- 2) Financial position: Is the government’s financial health improving or deteriorating?
- 3) Economic condition: Is it likely that today’s financial position will improve or deteriorate?

To assist the reader in answering these questions and others, the Commonwealth presents both government-wide financial statements and fund financial statements.

**Government-wide Financial Statements** are designed to provide a broad overview of the Commonwealth’s finances, in a manner similar to a private-sector business. All of the Commonwealth’s activities are reported in the government-wide statements except for activities accounted for in the fiduciary funds.

**Fund Financial Statements** focus on accountability of resources versus the government-wide financial statements’ focus on the ability to meet financial obligations.

	Government-wide Statements			Fund Financial Statements		
	Governmental Activities	Business-Type Activities	Discretely Presented Component Units	Governmental Funds (see note 1)	Proprietary Funds (see note 2)	Fiduciary Funds (see note 3)
<b>Scope of Report and Fund Types</b>	Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues	Activities financed in whole or part by fees charged to external parties for goods and services	Legally separate organizations for which the elected officials of the primary government are financially accountable or it would be misleading to exclude them	<ul style="list-style-type: none"> <li>• General Fund</li> <li>• Special Revenue Funds</li> <li>• Debt Service Funds</li> <li>• Capital Projects Funds</li> </ul> Generally used to account for tax-supported activities	<ul style="list-style-type: none"> <li>• Enterprise Fund</li> <li>• Internal Service Funds</li> </ul> Activities that focus on the determination of operating income, changes in net position (cost recovery), financial position and cash flow	<ul style="list-style-type: none"> <li>• Custodial Funds</li> <li>• Pension Trust Funds</li> <li>• Investment Trust Funds</li> <li>• Private-purpose Trust Funds</li> </ul> Activities held in a trustee or custodial capacity for others and which therefore cannot be used to support the government’s own programs
<b>Required Financial Statements</b>	Statement (Stmt) of Net Position (1) Stmt of Activities (2)			<ul style="list-style-type: none"> <li>• Balance Sheet (3)</li> <li>• Stmt of Revenues, Expenditures and Changes in Fund Balances (4)</li> </ul>	<ul style="list-style-type: none"> <li>• Stmt of Net Position (1)</li> <li>• Stmt of Revenues, Expenses, and Changes in Net Position (8)</li> <li>• Stmt of Cash Flows (5)</li> </ul>	<ul style="list-style-type: none"> <li>• Stmt Fiduciary Net Position (6)</li> <li>• Stmt of Changes in Fiduciary Net Position (7)</li> </ul>
<b>Measurement Focus and Basis of Accounting</b>	Economic resources measurement focus and accrual basis			Current financial resources measurement focus and modified accrual basis	Economic resources measurement focus and accrual basis	Accrual basis

1. **Statement of Net Position** is a government-wide or proprietary fund financial statement that reports the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources as net position, not fund balances or equity.
2. **Statement of Activities** is a government-wide financial statement that reports the net (expense) revenue of its individual function and the activities as a whole.
3. **Balance Sheet** presents a statement of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances of the government at a point in time.
4. **Statement of Revenues, Expenditures, and Changes in Fund Balances** presents the flows of resources in and out, as well as fund balance at the beginning and end of the financial period.
5. **Statement of Cash Flows** provides relevant information about cash receipts and cash payments during a period.
6. **Statement of Fiduciary Net Position** presents information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for each fiduciary fund type.
7. **Statement of Changes in Fiduciary Net Position** presents additions and deductions in net position, as well as net position at the beginning and end of the financial period.
8. **Statement of Revenues, Expenses, and Changes in Net Position** presents the flows of resources in and out, as well as net position at the beginning and end of the financial period.

**Note 1: Governmental Funds** focus primarily on the sources, uses and balances of current financial resources and often have a budgetary focus. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the Commonwealth's programs.

**Note 2: Proprietary Funds** focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds. Enterprise funds are used in situations where a fund provides services primarily to external customers. Internal service funds are designed to function on a cost-reimbursement basis primarily providing benefits to other funds, departments or agencies of the Commonwealth.

**Note 3: Fiduciary Funds** account for resources held for the benefit of parties outside the Commonwealth and retired government employees. These activities have been excluded from the Commonwealth's government-wide financial statements because the assets are not available to finance its operations.

For further accounting policy explanations see Note 1 in the notes to the financial statements section of the CAFR.

All dollar amounts in the MD&A are stated in millions unless otherwise indicated. There may be rounding differences between amounts reported in the MD&A section and amounts reported in other sections of the CAFR.

## Section B: Commonwealth's Overall Financial Activity

On January 31, 2020, the United States Department of Health and Human Services declared a public health emergency for the United States to aid the nation's health care community in responding to the novel coronavirus ("COVID-19"). Due to the increasing COVID-19 cases in the United States, the Governor's Office issued a Proclamation of Disaster Emergency on March 6, 2020. On March 11, 2020, the World Health Organization (WHO) and Centers for Disease Control (CDC) declared the COVID-19 outbreak a global pandemic. With cases rising within the Commonwealth, Governor Wolf began gradual closure of non-essential businesses across the state and requested Commonwealth residents limit travel. Over the next several weeks, the Governor closed schools state-wide and, eventually, ordered all non-life sustaining business across the Commonwealth, including the Commonwealth's over 600 fine wine and liquor stores, to temporarily close from mid-March until a phased re-opening began in late April.

In response to the COVID-19 pandemic, the Families First Coronavirus Response Act (FFCRA) was signed into law on March 18, 2020. Under the FFCRA, the Commonwealth has received a temporary 6.2% increase in the Federal Medical Assistance Percentage. This increase is available through the end of the quarter in which the COVID-19 Public Health Emergency ends. Additionally, on March 27, 2020, to provide economic relief to individuals and businesses, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act, which has provided over \$14 billion in funding to the Commonwealth, including \$3.9 billion from the Coronavirus Relief Fund (CRF), significantly enhanced the unemployment compensation (UC) benefits, and established the Pandemic Unemployment Assistance (PUA) and the Federal Pandemic Unemployment Compensation (FPUC) programs for Pennsylvanians. The CRF monies provided state-wide small business loans, County Relief Block Grants to Commonwealth counties for COVID-19 response, assistance to impacted hospitals and long-term care facilities, the purchase and distribution of medical supplies, increased food assistance, and aid to schools for remote education and other COVID impacts.

In conjunction with the funding allotted by the federal government, the Commonwealth also provided relief to taxpayers to mitigate the economic impact of the COVID-19 pandemic and related closures. The Department of Revenue extended the due date for personal income tax to July 15, 2020; and corporate taxes originally due in May and July were extended to August 2020, with the ability to request extensions up to February 2021. Additionally, the Commonwealth enacted Act 20 of 2020 to distribute payments under the Lottery's Property Tax/Rent Rebate Program prior to the original July 1st, as well as extending the application due date until December 31, 2020, in order to provide timely relief to low-income seniors and persons with disabilities.

The state-wide closures and travel restrictions reduced the Commonwealth's expected revenues for personal income taxes, sales and use taxes, liquid fuel taxes, wine and spirit sales, and other relied upon revenue sources. The impacts on the Commonwealth's financial position from the pandemic and relief responses are described more fully in sections C and D.

The following are explanations of the various categories broken out in the condensed Statement of Activities. Section C contains condensed financial information for the Commonwealth.

### Government-wide Revenues

**Tax revenue** is the largest portion of revenue reported by the Commonwealth. The majority of the tax revenue is deposited into the General Fund, the Commonwealth's largest operating fund. Significant tax revenue is also reported in the Motor License Fund and is utilized to fund the Commonwealth's highway and bridge infrastructure improvements and enhancements. Gaming taxes provide funding for several initiatives, most notably the Commonwealth's property tax relief program.

**Charges for sales and services** report the sales, fees and assessments charged for lottery tickets, wine and spirits, licenses, permits and various registration requirements that support many of the Commonwealth's services and programs. The largest portion of charges for sales and services is reported by the State Lottery Fund and the Unemployment Compensation Fund; the profits from lottery ticket sales are utilized to support programs for the elderly.

**Operating grants and contributions** include the revenue from the Federal Government in the form of grants. The Department of Human Services receives the most federal funds for medical assistance and other social service programs. Other agencies that receive significant federal funds include the Department of Labor and Industry supporting the Unemployment Compensation program, Department of Transportation supporting infrastructure development, Department of Health supporting an effective public health system and the Department of Education funding basic and higher education programs.

**Capital grants and contributions** make up a small percentage of the Commonwealth's total revenue. The grant revenue reported here is received from the Federal Government and supports construction projects for transportation and military affairs.

### Government-wide Expenses

#### Governmental Activities:

**Direction and supportive services** are centralized functions affecting all agencies. These services provide an administrative support system through which the goals and objectives of Commonwealth programs are attained. The Governor's Office, Executive Offices, Auditor General, Treasury, the departments of General Services and Revenue and the Legislature are some of the agencies that provide these services.

**Protection of persons and property** includes consumer and environmental protection, certain regulatory activities, the criminal justice system and the mitigation of the effects of disasters. The State Police, Attorney General, Department of Corrections, Public Utility Commission, Department of Military and Veterans Affairs, Pennsylvania Emergency Management Agency, and Insurance Department are some of the agencies that support these programs.

**Public education** programs are managed primarily by the Department of Education. The Commonwealth strives to provide a system of learning experiences and opportunities through quality basic, special, technical and higher education programs.

**Health and human services** programs are primarily the responsibility of the departments of Human Services, Health, Aging and Drug and Alcohol Programs with contributions by the departments of Agriculture, Labor and Industry, Military and Veterans Affairs and Revenue. Agencies include these programs to ensure access to quality medical care for all citizens, support citizens seeking self-sufficiency and maximize citizens' opportunities to participate in society.

**Economic development** programs invest public resources to create jobs for Commonwealth citizens. The total efforts of the Department of Community and Economic Development are devoted to these programs and are the primary source of reported expenses.

**Transportation** reports the expenses of the Commonwealth's road and bridge infrastructure improvements and enhancements as well as the costs to provide licensing and highway safety programs. Transportation systems are developed to serve the needs of citizens, commerce and industry and are financed through the Department of Transportation.

**Recreation and cultural enrichment** programs focus resources on recreational and cultural amenities, ensuring that Commonwealth citizens and visitors can explore the cultural traditions, art and history of the Commonwealth.

and take advantage of outdoor recreational opportunities. The programs are primarily the responsibility of the Department of Conservation and Natural Resources, the Fish and Boat Commission, the Game Commission, the Historical and Museum Commission and the Department of Education.

**Interest** expense is the result of Commonwealth incurred debt used to finance its capital programs, voter-approved bond referenda and certain disaster relief programs. Most long-term financing of the Commonwealth is provided by the issuance of general obligation debt.

**Business-Type Activities:**

**State lottery** reports the cost of sales and services to manage and maintain the Commonwealth's lottery program. All profits from the lottery program benefit the elderly population through the funding of programs ensuring reduced costs on prescriptions, access to public transportation, and property tax and rent rebate programs.

**State workers' insurance** reports the administrative expenses to provide workers' compensation insurance to employers, including those refused policies by private insurance firms.

**Tuition payment** reports the administrative expenses of the Tuition Payment Fund which provides Commonwealth residents the opportunity to prepay college tuition towards future education expenses at eligible educational institutions.

**Unemployment compensation** reports the expenses for payments made to unemployed individuals.

**Commonwealth financing** reports the expenses of the Commonwealth Financing Authority. The majority of expenses are for grants that promote the health, safety, employment, business opportunities and economic activity of the Commonwealth.

**Liquor control** expenses cover all costs associated with the operation and administration of the Liquor Store System and enforcement of the Liquor Code.

**Economic development and other** expenses reported include a variety of economic development programs including activities of the Philadelphia Regional Port Authority.

Section C: Condensed Financial Information

Government-wide Statement of Net Position as of June 30, 2020 and 2019

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Cash and investments.....	\$ 10,508	\$ 10,880	\$ 7,326	\$ 9,206	\$ 17,834	\$ 20,086
Capital assets (net).....	40,905	40,207	752	707	41,657	40,914
All other assets.....	14,304	11,317	6,526	1,526	20,830	12,843
<b>Total assets</b> .....	<b>65,717</b>	<b>62,404</b>	<b>14,604</b>	<b>11,439</b>	<b>80,321</b>	<b>73,843</b>
<b>Total deferred outflows</b> .....	<b>4,122</b>	<b>4,709</b>	<b>198</b>	<b>270</b>	<b>4,320</b>	<b>4,979</b>
<b>Liabilities:</b>						
Accounts payable.....	11,170	8,932	6,096	857	17,266	9,789
All other current liabilities.....	7,971	4,770	943	1,197	8,914	5,967
Bonds payable, noncurrent.....	10,674	11,673	4,281	4,535	14,955	16,208
All other long-term liabilities.....	34,788	39,877	3,886	4,397	38,674	44,274
<b>Total liabilities</b> .....	<b>64,603</b>	<b>65,252</b>	<b>15,206</b>	<b>10,986</b>	<b>79,809</b>	<b>76,238</b>
<b>Total deferred inflows</b> .....	<b>11,862</b>	<b>7,862</b>	<b>647</b>	<b>409</b>	<b>12,509</b>	<b>8,271</b>
<b>Net position:</b>						
Net investment in capital assets....	34,889	34,262	753	707	35,642	34,969
Restricted.....	3,194	2,664	2,896	4,994	6,090	7,658
Unrestricted.....	(44,709)	(42,927)	(4,700)	(5,387)	(49,409)	(48,314)
<b>Total net position</b> .....	<b>\$ (6,626)</b>	<b>\$ (6,001)</b>	<b>\$ (1,051)</b>	<b>\$ 314</b>	<b>\$ (7,677)</b>	<b>\$ (5,687)</b>

Statement of Net Position Variance Analysis Year-Over-Year  
(A discussion of significant activities)

Cash and investments net decrease:

- Governmental Activities total cash and investments decreased \$372. Of that, \$266 is related to prior year PlanCon bond revenues being disbursed to school districts this year to reimburse construction and restoration projects. The decrease can also be attributed to a decrease in tax receipts as a result of the COVID-19 pandemic, which was significantly mitigated by the April federal cash advance of Coronavirus Relief Funds.
- Business-Type Activities total cash and investments decreased \$1,880 primarily due to the Unemployment Compensation Fund's cash and investment decrease of \$2,191. This decrease was directly related to a substantial increase in

unemployment compensation payments that has occurred as a result of the COVID-19 pandemic. This decrease was offset by significant increases realized by the Tuition Payment Fund, State Workers' Insurance Fund, and the State Lottery Fund of \$156, \$57, and \$79, respectively, primarily attributable to increases in investments and favorable market conditions.

Capital assets net increase:

The \$698 increase in Governmental Activities capital assets was due to the Commonwealth's continued goal to invest in transportation infrastructure throughout Pennsylvania. The Motor License Fund's capital assets net of depreciation increased \$609 over the prior year.

**All other assets** net increase:

- Governmental Activities increased \$2,987 directly related to a \$1,445 increase in tax receivables, a \$1,284 increase due from federal government related to medical assistance from the Community HealthChoices program, and a \$192 increase in loans receivable resulting from loans to hospitals as part of the Hospital Emergency Loan Program established in response to the COVID-19 pandemic.
- Business-Type Activities increased \$5,000 directly related to the \$4,989 increase in the Unemployment Compensation Fund's receivable from the federal government, resulting from the enhanced unemployment compensation benefits that were established by the federal CARES Act.

**Deferred outflows of resources** net decrease:

The total decrease of \$659 is primarily the result of fiscal year 2019 Pennsylvania State Employees' Retirement System' (SERS) experiencing an increase in investment income following a FY18 investment loss of approximately 4.6%, due primarily to the high level of market volatility that took place throughout 2018. This caused the difference between projected and actual earnings to change from a deferred outflow of resources in the prior reporting period to a deferred inflow of resources in the currently reporting period for the Commonwealth. These differences are amortized over five years, and the gain or loss is reported as a deferred inflow or deferred outflow of resources, respectively.

- Governmental Activities decreased \$587.
- Business-Type Activities decreased \$72.

**All other current liabilities** net increase: (Items reported in this category include tax refunds payable, due to other governments and political subdivisions, bonds payable and other current liabilities.)

- Governmental Activities increase of \$3,201 is largely attributable to an increase of \$2,366 in unearned revenue due to the receipt of CARES Act funding. There was a \$243 increase in due to political subdivisions as result of the CARES Act funding payable primarily to counties for COVID-19 pandemic assistance. Additionally, due from component units increased as a result of PA Infrastructure Investment Authority (PENNVEST) loaning funds in the amount of \$189 to provide COVID-19 pandemic relief to Pennsylvania hospitals. Further information is provided in the individual fund analysis in Section D.

**Bonds payable, noncurrent** net decrease:

- Governmental Activities noncurrent bonds payable decreased \$999 primarily due to total principal repayment of \$818 plus \$176 and \$1 in amortization of bond premiums and discounts, respectively. There were no bond issuances in fiscal year 2019-2020.

- Business-Type Activities decreased \$254 largely as a result of the revenue bond liquidation in the Unemployment Compensation Fund and by the Commonwealth Financing Authority.

**All other long-term liabilities** net decrease: (Liabilities reported in this category are due in periods beyond twelve months from the close of the fiscal year and will be repaid with future resources. Reported items include compensated absences, self-insurance, net pension liability, other postemployment benefit liability (OPEB) and other long-term liabilities.) The total decrease of \$5,600 is largely due to changes in pension and OPEB liabilities. The OPEB liabilities decreased by \$4,508 as a result of an experience gain caused by a significant decrease in per capita claims cost. Additionally, the net pension liability decreased \$2,147 driven by investment earnings exceeding projections during 2019. These decreases were offset by a \$1,161 increase from actuarial liabilities associated with the Underground Storage Tank Indemnification Fund (USTIF) and the Pennsylvania Medical Care Availability and Reduction of Error Fund (Mcare). With the implementation of GASB 84, these funds were reclassified from agency funds to special revenue funds, and the actuarial liabilities associated with these funds are reported in the Governmental Activities at June 30, 2020 (see Note 11 for more information).

- Total Governmental Activities decreased \$5,089 resulting from the OPEB decrease of \$4,219 and pension decrease of \$2,028, offset by the \$1,161 USTIF and Mcare actuarial liability increase.
- Total Business-Type Activities decreased \$511 resulting from the OPEB decrease of \$289 and pension decrease of \$119.

**Deferred inflows of resources** net increase:

The total increase of \$4,238 is primarily due to the decrease to the Retired Employee Health Plan's net OPEB liability (NOL) related to the improved claims experience.

- Governmental Activities deferred inflows of resources increased \$4,000.
- Business-Type Activities deferred inflows of resources increased \$238.

**Net position:** An overall deficit is reported for both the Governmental Activities and Business Type Activities. The Primary Government's net position decreased \$1,990 over the prior year. The overall decrease to the Primary Government's net position is directly related to the impact the COVID-19 pandemic had on the Commonwealth's operations, offset by decreases in the OPEB and pension liabilities. The decrease in net position related to Business-Type Activities can be directly attributed to the Unemployment Compensation Fund's significant increase in unemployment claims.

Statement of Activities for the Fiscal Years Ended June 30, 2020 and 2019

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program Revenues						
Charges for sales and services.....	\$ 7,876	\$ 8,016	\$ 9,680	\$ 10,132	\$ 17,556	\$ 18,148
Operating grants and contributions.....	35,860	31,120	17,195	223	53,055	31,343
Capital grants and contributions.....	31	217	14	4	45	221
Total program revenues.....	43,767	39,353	26,889	10,359	70,656	49,712
General revenues: taxes and investment income.....	38,681	39,512	—	—	38,681	39,512
<b>Total revenues.....</b>	<b>82,448</b>	<b>78,865</b>	<b>26,889</b>	<b>10,359</b>	<b>109,337</b>	<b>89,224</b>
<b>Expenses:</b>						
Governmental Activities						
Direction and supportive services.....	1,782	1,650	—	—	1,782	1,650
Protection of persons and property.....	6,288	6,997	—	—	6,288	6,997
Public education.....	17,501	16,978	—	—	17,501	16,978
Health and human services.....	47,282	43,216	—	—	47,282	43,216
Economic development.....	2,102	908	—	—	2,102	908
Transportation.....	6,234	6,473	—	—	6,234	6,473
Recreation and cultural enrichment.....	614	592	—	—	614	592
Interest.....	327	344	—	—	327	344
Business-Type Activities						
State lottery.....	—	—	4,315	4,499	4,315	4,499
State workers' insurance.....	—	—	103	132	103	132
Tuition payment.....	—	—	289	255	289	255
Unemployment compensation.....	—	—	21,727	1,786	21,727	1,786
Commonwealth financing.....	—	—	383	298	383	298
Liquor control.....	—	—	1,870	1,989	1,870	1,989
Economic development and other.....	—	—	54	76	54	76
<b>Total expenses.....</b>	<b>82,130</b>	<b>77,158</b>	<b>28,741</b>	<b>9,035</b>	<b>110,871</b>	<b>86,193</b>
Excess before transfers.....	318	1,707	(1,852)	1,324	(1,534)	3,031
Transfers.....	(487)	235	487	(235)	—	—
<b>Increase (decrease) in net position.....</b>	<b>(169)</b>	<b>1,942</b>	<b>(1,365)</b>	<b>1,089</b>	<b>(1,534)</b>	<b>3,031</b>
Net position-beginning *.....	(6,001)	(7,943)	314	(775)	(5,687)	(8,718)
Restatement.....	(456)	—	—	—	(456)	—
<b>Net position-ending.....</b>	<b>\$ (6,626)</b>	<b>\$ (6,001)</b>	<b>\$ (1,051)</b>	<b>\$ 314</b>	<b>\$ (7,677)</b>	<b>\$ (5,687)</b>

\*The prior year has not been restated for the retroactive effects of implementing GASB Statement No. 84.

**Statement of Activities Variance Analysis Year-Over-Year  
(A discussion of significant activities)**

**Revenues**

**Charges for sales and services** net decrease:

- Governmental Activities decreased \$140 primarily due to the \$456 received in the prior year pursuant to a settlement agreement with tobacco companies that resolved 20 years of disputes relating to the 1998 Tobacco Master Settlement Agreement. A \$276 offsetting increase is attributed to the Human Services increased assessments on managed care organizations due to assessment rate increases and the expansion into additional counties.
- Charges for sales and services include among many things lottery sales, wine & spirit sales, and unemployment compensation revenues. The decrease of \$452 is largely related to the \$293 decrease in the Unemployment Compensation Fund, as employer contributions decreased as a result of a significant increase in job loss due to the COVID-19 pandemic. In addition, the State Stores revenue decrease of \$92 due to the COVID-19 pandemic, with stores temporarily closed from mid-March through late April 2020.

Further information is provided in the individual fund analysis in Section D.

**Operating grants and contributions** net increase:

- Governmental Activities increased \$4,740, primarily due to an increase of federal revenue in the General Fund for the Community HealthChoices program. This program entered into the final phase of its roll-out during the fiscal year and enables eligible Medicaid recipients to select a healthcare coordinator to assist with accessing personalized long-term support services for increased quality of life. In response to the COVID-19 pandemic, the federal medical assistance percentage (FMAP) was temporarily increased by 6.2% under the Families First Coronavirus Response Act. Additionally, the Commonwealth received Coronavirus Relief Funds and other funding under the federal CARES Act.
- Business-Type Activities increased \$16,972. The increase is the direct result of a \$16,873 increase related to the federal expansion and funding of unemployment benefits as part of the CARES Act, enacted in response to the COVID-19 pandemic.

More information is provided in the individual fund analysis in Section D.

**Taxes and investment income** net decrease of \$831 in Governmental Activities is primarily due to a decrease in personal income tax of \$335 and a decrease in liquid fuels tax of \$384. These decreases are the direct result of the impact that the COVID-19 pandemic had on the

Commonwealth's economy. Additional details are provided in Section D's General Fund and Motor License Fund analysis.

**Expenses: Governmental Activities**

**Public education** increased \$523 primarily due to a 10% increase in funding basic education, as well as increases for special education, prekindergarten, early intervention, and school employee pension costs.

**Health and human services** expenses increased \$4,066 primarily due to an increase of \$2,400 in spending for final implementation phase of the Community HealthChoices program. Additionally, the Families First Coronavirus Response Act, which was passed on March 18, 2020, provided a temporary 6.2% increase to the federal medical assistance percentage, increasing the related federal expenditures.

**Economic development** expenses increased \$1,194 mostly due to the COVID-19 relief fund monies, reported in the General Fund, that were used to support the County Relief Block Grant, which provides assistance to counties for response, planning and outreach efforts. The remainder of the increase is due to the Municipal Pension Aid Fund, a former agency fund, being reported as a governmental fund as a result of the implementation of GASB 84.

**Expenses: Business-Type Activities**

**Unemployment Compensation** program expenses increased \$19,941 as the volume of unemployment claims increased substantially as a result of the COVID-19 pandemic. Refer to the Unemployment Compensation Fund analysis in Section D for additional detail.

**Transfers** between the Governmental Activities and Business-Type Activities decreased \$722 due to the CFA's prior year transfers of the Tobacco Master Settlement agreement proceeds and the PlanCon bond proceeds to the General Fund.

**Restatement**

Effective July 1, 2019 the Commonwealth implemented GASB Statement No. 84, Fiduciary Activities. The implementation of the standard resulted in the Commonwealth recognizing additional governmental funds that had formerly been reported as fiduciary funds. The prior year has not been restated for the retroactive effects of implementing GASB Statement No. 84. Please refer to Note 18 - Restatements for further information.

Section D: Individual Funds Analysis

**General Fund Assets, Liabilities, Deferred Inflows and Fund Balance**  
Condensed, comparative, financial information (amounts in millions)

	2020	2019
<b>Assets:</b>		
Cash and investments .....	\$ 4,175	\$ 4,577
Receivables, net .....	7,104	5,254
Due from other funds/governments/advances/other .....	6,370	5,056
<b>Total assets</b> .....	<b>\$ 17,649</b>	<b>\$ 14,887</b>
<b>Liabilities:</b>		
Accounts payable and tax refunds payable .....	\$ 10,618	\$ 8,406
Due to other funds/governments/advances/other .....	2,992	2,555
Unearned revenue .....	2,383	17
<b>Total liabilities</b> .....	<b>15,993</b>	<b>10,978</b>
Total deferred inflows of resources .....	3,181	3,073
<b>Fund Balance:</b>		
Total fund balance .....	(1,525)	836
<b>Total liabilities, deferred inflows of resources and fund balance</b> .....	<b>\$ 17,649</b>	<b>\$ 14,887</b>

**Cash and investments** decreased \$402. Of that, \$266 is related to the Department of Education's reimbursements to school districts for construction and restoration projects (PlanCon) far surpassing investment revenues, as there were no new transfers in to fund the program during the year. The decrease can also be attributed to a decrease in tax receipts as a result of the COVID-19 pandemic, which was significantly mitigated by the April federal cash advance of Coronavirus Relief Fund.

**Receivables, net** increased \$1,850 primarily due to increases in personal income, corporation, and sales and use tax receivables of \$928, \$458 and \$174, respectively. Due to the COVID-19 pandemic, taxpayer filing due dates for the majority of tax types were extended until after the fiscal year-end. As a result, tax returns were not required to be filed and paid until after year-end. Additionally, loans receivable increased by \$187 as a result of the Hospital Emergency Loan Program, administered by the Department of Community and Economic Development (DCEd), which was implemented in April 2020 to provide short-term financial relief to Pennsylvania's hospitals in preparation for the economic fallout of the COVID-19 pandemic.

**Due from other funds/governments/advances/other** increased \$1,314, from a \$1,317 increase in due from Federal Government. This was attributable to a \$1,382 increase in medical assistance as a result of the Community HealthChoices (CHC) program moving into its final phase during the second half of the year, and an offsetting decrease of \$81 related to school closures resulting from the COVID-19 pandemic causing a

significant reduction in food and nutrition services claims submissions processed between April and June.

**Accounts payable and tax refunds payable** increased by \$2,212. The increase was mostly related to a \$1,607 increase in accounts payable for the Department of Human Services related to medical assistance, as the CHC program entered its final phase during the second half of the year. As discussed in the previous paragraph, much of the medical assistance accounts payable will be federally funded. There was also an increase of \$644 in payables attributed to the DCEd programs funded through Coronavirus Relief Fund monies for the County Relief Block Grant, which provides assistance to counties for response, planning & outreach efforts related to COVID-19, in the amount of \$420; state-wide small business assistance in the amount of \$225; and cultural and museum preservation in the amount of \$20. Decreases to corporation tax refunds drove a \$186 decrease in tax refunds payable.

**Due to other funds/governments/advances/other** increased \$437. Of that, \$204 was related to federal Coronavirus Relief Fund monies owed to local governments to provide relief to counties under the County Relief Block Grant. Additionally, due to component units increased as a result of DCEd borrowing funds from PA Infrastructure Investment Authority (PENVEST) in the amount of \$189 to establish the Hospital Emergency Loan Program. The COVID-19 pandemic also delayed escheated property claim payments causing other liabilities to increase by \$45.

**Unearned revenue** increased \$2,366. In April 2020, the Commonwealth received \$3,935 of federal Coronavirus Relief Fund monies, provided under the CARES Act, \$1,569 of which was utilized as of June 30, 2020. The remaining advanced funds will be used to provide additional pandemic relief throughout the 2020 calendar year.

**Deferred inflows of resources** increased \$108 due to increases in unavailable revenue. Revenue earned but not anticipated to be collected until more than 60 days after the end of the fiscal year is considered not available for governmental activities. Net unavailable tax revenue increased \$121; the change primarily pertained to \$119, \$37 and \$12 increases in the corporation, inheritance and personal tax categories, respectively, offset by a \$47 decrease in sales and use tax.

**General Fund Revenues, Expenditures and Changes in Fund Balance**  
Condensed, comparative, financial information (amounts in millions)

The General Fund, the Commonwealth's largest fund, accounts for approximately 84% of the total governmental fund type revenues and other financing sources and 84% of the total governmental fund type

expenditures and other financing uses. The General Fund collects approximately 85% of the total tax revenues and is the primary funding source for most Commonwealth expenditures.

	2020	2019
<b>Revenues:</b>		
<b>Taxes, net of refunds</b>		
Personal income	\$ 13,241	\$ 13,634
Sales and use	11,177	11,111
Corporation	4,967	4,811
Inheritance	1,034	1,028
Cigarette	1,198	1,263
Realty transfer	494	530
Gaming	143	133
Other	433	565
<b>Total taxes, net of refunds</b>	<b>32,687</b>	<b>33,075</b>
Intergovernmental	33,326	28,216
Charges for sales and services	3,704	3,357
Licenses/fees/investment/other income	1,001	1,156
<b>Total revenues</b>	<b>70,718</b>	<b>65,804</b>
<b>Expenditures:</b>		
Direction and supportive services	1,268	908
Protection of persons and property	4,647	4,806
Health and human services	47,128	42,634
Public education	16,824	16,295
Recreation and cultural enrichment	342	325
Economic development	1,401	493
Transportation	58	58
Capital outlay	106	127
Other expenditures	65	31
<b>Total expenditures</b>	<b>71,839</b>	<b>65,677</b>
Revenues over/(under) expenditures	(1,121)	127
<b>Other financing sources (uses):</b>		
Transfers in	507	1,207
Transfers out	(1,750)	(1,314)
Capital lease/installment purchases	3	2
<b>Net other financing sources (uses)</b>	<b>(1,240)</b>	<b>(105)</b>
<b>Net change in fund balance</b>	<b>\$ (2,361)</b>	<b>\$ 22</b>

**Total taxes, net of refunds** decreased \$388, mostly attributed to the COVID-19 pandemic. The most notable decrease was \$393 in personal income taxes because of significant increases in the unemployment rate causing decreases in personal income.

**Intergovernmental revenues** increased \$5,110 predominantly due to a \$4,104 increase in federal revenue collected by the Department of Human Services (DHS). \$2,400 of the increase was a result of the roll-out of the final phase of Community HealthChoices (CHC) program. Roll-out of the CHC program, the Commonwealth's community-based long-term care program, began in January 2018 to only one geographic region of the Commonwealth and now has expanded state-wide. Additionally, DHS received a temporary 6.2% increase in the federal medical assistance percentage

under the Families First Coronavirus Response Act, resulting in an increase of \$1,030. DHS also received funding of \$543 under the CARES Act. The Department of Community & Economic Development saw an increase in revenues of \$842 due to additional funding received from the CARES Act. The remaining increase in intergovernmental revenue primarily results from the receipt of Coronavirus Relief Fund monies under the CARES Act, as well as an increase in Crime Victim Assistance funding. These increases were offset by a decrease of \$135M in revenue collected by the Department of Education, primarily from the food and nutrition programs, as a result of school closures related to the COVID-19 pandemic.

**Charges for sales and services** increased \$347 mainly due to the enactment of Act 92 of 2015 that amended the

Public Welfare Code and Act 40 of 2018 that amended the Human Services Code. Act 92 established monthly, per member assessments on Medicaid managed care organizations. The increases were caused by increases to the per member assessment from \$19.87 effective July 1, 2018 to \$22.41 effective January 1, 2020, as well as the addition of 48 counties being included in the assessment revenue. Act 40 changed the hospital assessment base and established separate assessment rates on inpatient and outpatient revenue. For FY 19-20, the assessment rate on inpatient revenue was 3.32%, whereas the prior year assessment rate on inpatient revenue was 2.98%. The assessment rate on outpatient revenue remained at 1.73% for both years.

**Licenses/fees/investment/other income** decreased \$155 as a result of a reduced number of gaming licenses being issued. During the fiscal year, there were no slot or table game licensing fees issued, only fees related to the change in control/ownership, which resulted in a decrease in revenue of \$21. There was also a significant decrease in the issuance of Interactive Gaming and Sports Wagering licenses, resulting in decreased revenue of \$95 and \$50, respectively. Both of these gaming programs had been expanded in the prior year as a result of Act 42 of 2017, which amended the Pennsylvania Race Horse Development and Gaming Act.

**Health and human services** accounts for approximately 66% of total general fund expenditures for the year. The increase of \$4,494 was primarily related to the roll-out of the final phase of the CHC program, the Commonwealth's community-based long-term care program, resulting in an additional \$3,922 in expenditures. This program, which is now state-wide, allows eligible Medicaid and Medicare dual recipients, or those with long-term support provided by Medicaid, to select a healthcare coordinator to manage the continuity of services of their varied healthcare needs. \$543 of expenditures were related to the Coronavirus Relief Fund monies provided under the federal CARES Act. Additionally, the Families First Coronavirus Response Act,

provided a temporary 6.2% increase to the federal medical assistance percentage, increasing the related federal expenditures.

**Public education** accounts for approximately 23% of total general fund expenditures. The increase of \$529 or 3.24% is largely due to funding increases for various programs, in particular elementary education, basic education, pre-k, early intervention, and student transportation, as well as increased contributions for school employee pension costs. These increases were offset by decreases of \$38 and \$128 for medical assistance and food & nutrition programs, respectively, as a result of the COVID-19 pandemic, which resulted in state-wide school closures.

**Economic Development** increased \$908 largely due to the COVID-19 relief fund monies that were used to support the County Relief Block Grant, which provides assistance to counties for response, planning and outreach efforts.

**Transfers in** decreased \$700 partially due to the prior year transfer of \$386 in PlanCon bond proceeds by the Commonwealth Financing Authority (CFA) from its issuance of Series A of Revenue Bonds. Also in the prior year, \$359 in transfers of tobacco settlement agreement proceeds were received from the Tobacco Settlement Fund to fund the CHC initiative. These decreases were offset by an increase in transfers of \$59 for operations of the Department of Environmental Protection and Department of Conservation and Natural Resources.

**Transfers out** increased \$436 in order to meet increased debt service requirements.

**Motor License Fund**  
Condensed, comparative, financial information (amounts in millions)

Description	2020	2019
Cash and investments	\$ 973	\$ 1,057
Other assets	560	758
<b>Total assets</b>	<b>\$ 1,533</b>	<b>\$ 1,815</b>
Accounts payable	\$ 666	\$ 677
Other liabilities	272	266
Total liabilities	938	943
Total fund balance	595	872
<b>Total liabilities and fund balance</b>	<b>\$ 1,533</b>	<b>\$ 1,815</b>
Tax revenues	\$ 3,383	\$ 3,795
Licenses and fees	1,076	1,015
Intergovernmental	1,732	1,917
Other revenues	73	59
Total revenues	6,264	6,786
Direction and supportive services	37	35
Protection of persons and property	991	1,022
Transportation	2,797	2,911
Capital outlay	2,623	2,841
Other expenditures	5	5
Total expenditures	6,453	6,814
Net other financing uses	(88)	(103)
<b>Net change in fund balance</b>	<b>\$ (277)</b>	<b>\$ (131)</b>

**Fund Description:** The Motor License Fund receives revenues from various taxes, fees, federal aid and aid from other political entities. The Motor License Fund incurs expenditures for highway and bridge improvement, design, maintenance, and purchases of rights-of-way, as well as aviation activities and transportation licensing and safety activities. It also finances State Police highway patrol operations and pays subsidies to local subdivisions for construction and maintenance of roads.

**Cash and investments** decreased \$84 and is largely attributable to a decrease in revenues related to the COVID-19 pandemic.

**Other assets** decreased \$198 as there was a decrease of \$140 in liquid fuels taxes receivable attributed to the reduced travel resulting from the COVID-19 pandemic as described in tax revenues below. Additionally, an annual transfer from the Marcellus Shale Fund occurred in June 2020 rather than the fiscal year-end as in the prior year decreasing receivables owed by other funds.

**Tax revenues** decreased \$412 primarily due to the decrease in the liquid fuels tax, a \$0.12 per gallon sales tax on the purchase of gasoline and diesel. This was the direct result of the COVID-19 pandemic during which only essential travel was permitted in accordance with

the stay-at-home orders, which began in several counties in mid-March 2020 and eventually became statewide effective April 1, 2020 through mid-May 2020.

**Licenses and fees** increased \$61 due to increased vehicle registrations and REAL ID fees. Act 89 of 2013 provided drivers the option of a two-year vehicle renewal effective December 31, 2016. REAL IDs are photo identifications that meet the Department of Homeland Security's federal requirements and became available in Pennsylvania beginning in March 2019. Starting in October 2021, only REAL ID compliant identification will be accepted at airports and other federal establishments.

**Intergovernmental** decreased \$185 due to decreased Federal Highway Administration participation on highway construction projects.

**Transportation** expenditures decreased by \$114 in part due to the mild winter, requiring less winter road maintenance, and less bituminous material usage and contracted road repairs resulting from the COVID-19 pandemic.

**Capital outlay** decreased by \$218. The impact of the COVID-19 pandemic reduced all highway construction work being performed.

## Unemployment Compensation Fund

Condensed, comparative, financial information (amounts in millions)

Description	2020	2019
Cash and investments .....	\$ 1,832	\$ 4,023
Unemployment assessments receivable .....	662	609
Other assets .....	5,087	98
<b>Total assets</b> .....	<b>7,581</b>	<b>4,730</b>
Total deferred outflows of resources .....	35	49
Accounts payable .....	5,579	60
Other liabilities .....	29	607
Total liabilities .....	5,608	667
Total deferred inflows of resources .....	39	17
<b>Total net position</b> .....	<b>\$ 1,969</b>	<b>\$ 4,095</b>
Total operating revenues: Sales and services .....	\$ 2,675	\$ 2,953
Total operating expenses: Cost of sales and services .....	21,724	1,774
Operating income (loss) .....	(19,049)	1,179
Nonoperating income .....	16,929	57
Income (loss) before transfers .....	(2,120)	1,236
Transfers out .....	(6)	(2)
<b>Increase (decrease) in net position</b> .....	<b>\$ (2,126)</b>	<b>\$ 1,234</b>

**Fund Description:** The Unemployment Compensation (UC) Fund collects employer assessments for unemployment compensation and transfers the assessments to the Federal Government for deposit in the UC Trust Fund. These funds are drawn down to pay unemployment compensation payments to claimants as needed.

**Cash and investments** decreased \$2,191 primarily due to the decrease in the balance of the Unemployment Insurance Trust account. The decline in the Unemployment Insurance Trust fund is due to the increase in unemployment compensation payments that has occurred as a result of the COVID-19 pandemic.

**Other assets** increased \$4,989 primarily from the increase in due from federal government in the amount of \$4,982. This increase is attributable to the benefits due to claimants at June 30, 2020 from enhanced unemployment compensation benefits that were established by the federal CARES Act.

**Total deferred outflows of resources** decreased \$14 due to the State Employees' Retirement System (SERS) experiencing an increase in investment income following a fiscal year 2018 investment loss due primarily to the high level of market volatility that took place throughout 2018. This caused the difference between projected and actual investment earnings to change from a deferred outflow of resources in the prior reporting period to a deferred inflow of resources in the current reporting period for the Commonwealth.

**Accounts Payable** increased by \$5,519 as a result of the unemployment benefits that are payable at June 30, 2020. The increase is due to the volume of unemployment claims that significantly increased as a result of the COVID-19 pandemic and the federal government's expansion of benefits.

**Other liabilities** decreased \$578 as a result of UC revenue bond liquidation that occurred in March 2020.

**Cost of sales and services** expense increased \$19,950 primarily due to the increase in unemployment requisition expenses because of the significant increase in the number of claimants filing for unemployment benefits due to the COVID-19 pandemic. The Pennsylvania unemployment rate for June 2020 was 13.0% compared to 4.3% at June 2019. Cost of sales and services also increased due to the liquidation of the revenue bonds.

**Nonoperating income** increased by \$16,872 as a result of federal funding provided under the federal CARES Act that implemented the following unemployment compensation benefits: Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC).

**State Workers' Insurance Fund (SWIF)**  
 For the Fiscal years Ended December 31  
 Condensed, comparative, financial information (amounts in millions)

Description	2019	2018
Cash and short-term investments .....	\$ 73	\$ 76
Long-term investments .....	1,363	1,303
Other assets .....	44	59
Total assets .....	1,480	1,438
Total deferred outflows of resources .....	5	8
Securities lending obligations .....	17	23
Unearned revenue .....	40	58
Insurance loss liability .....	1,336	1,423
Other liabilities .....	97	124
Total liabilities .....	1,490	1,628
Total deferred inflows of resources .....	40	25
<b>Total net position</b> .....	<b>\$ (45)</b>	<b>\$ (207)</b>
Total operating revenues: Sales and services .....	\$ 116	\$ 154
Total operating expenses: Cost of sales and services .....	101	130
Operating income .....	15	24
Investment income .....	149	(10)
Investment expense .....	(2)	(2)
Net nonoperating revenue .....	147	(12)
<b>Increase in net position</b> .....	<b>\$ 162</b>	<b>\$ 12</b>

**Fund Description:** The SWIF operates for the purpose of providing workers' compensation insurance to employers, including those refused policies by private insurance firms.

**Long-term investments** increased \$60. Favorable market conditions resulted in an increase in equity values and allowed SWIF to eradicate prior year losses when market conditions were more volatile.

**Other Assets** decreased \$15 due primarily to a decrease in deferred premiums, agents' balances, and installments booked but not yet due. Reduced premium rates also contributed to the decrease.

**Unearned revenue** decreased \$18 due to less premiums written and a decrease in premium rates.

**Insurance loss liability** decreased \$87 due to the decrease in open claims SWIF is making payments on as result of the ongoing efforts by SWIF's Comprise and Release (C&R) agreement program to reduce future liabilities.

**Sales and services** decreased \$38 due to a decrease in premium rates. In addition, SWIF refunded its policyholders \$10.1 million in January 2019.

**Cost of sales and services** decreased \$29 due primarily to decreases in losses and loss adjustment expenses (LAE) incurred. As a result of SWIF's independent actuarial review, an adjustment was made to reduce its losses and LAE reserves.

**Investment income** increased \$159 due to increases in unrealized and realized capital gains. Favorable market conditions at calendar year-end 2019 caused an increase in equity and bond values.

**State Lottery Fund**  
Condensed, comparative, financial information (amounts in millions)

Description	2020	2019
Cash and short-term investments .....	\$ 335	\$ 256
Other assets .....	86	86
Total assets .....	421	342
Total deferred outflows of resources .....	12	17
Accounts payable .....	198	408
Other liabilities .....	312	324
Total liabilities .....	510	732
Total deferred inflows of resources .....	53	35
<b>Total net position .....</b>	<b>\$ (130)</b>	<b>\$ (408)</b>
Total operating revenues: Sales and services .....	\$ 4,561	\$ 4,587
Cost of sales and services .....	4,309	4,486
Other expenses .....	7	12
Total operating expenses .....	4,316	4,498
Operating income .....	245	89
Nonoperating revenues, net .....	3	6
Income before transfers .....	248	95
Transfers in .....	266	142
Transfers out .....	(236)	(251)
Transfers, net .....	30	(109)
<b>Increase (decrease) in net position .....</b>	<b>\$ 278</b>	<b>\$ (14)</b>

**Fund Description:** The State Lottery Fund receives the proceeds of all lottery sales and designates all of its net proceeds to programs that benefit older Pennsylvanians. These programs include shared rides and free transit, property tax and rent rebates, medical assistance for long-term care, the Pharmaceutical Assistance Contract for the Elderly (PACE), which provides assistance for the payment of prescription drugs, and PENNCARE, which provides a variety of community-based and in-home services, such as home health care; personal care; health support services such as housekeeping, shopping assistance, laundry and mending; respite care (caregiver relief); transportation and other routine household chores as necessary to maintain a consumer's health, safety and ability to remain in the home; and home-delivered meals prepared at a central location and delivered to a person's home.

**Accounts Payable** decreased \$210, primarily due to a change in timing related to the Property Tax and Rent Rebate (PTRR) payments, which are subsidies available to low income seniors and the residents with disabilities to provide housing expense relief. In previous years, the eligible applications received prior to June 30th were not authorized for payment until July 1st of the next fiscal year. During the year ended June 30, 2020, the Commonwealth authorized Act 20 of 2020, which approved an extension of applications to December 31, 2020 and also allowed payments to be made as eligible applicants were approved in order to mitigate the

economic impact of the COVID-19 pandemic. This decreased the liability by \$239 compared to the prior year.

**Total operating revenues: Sales and Services** decreased \$26. Overall lottery revenue remained in line with the prior year revenues. The small decrease in revenues can be attributed to the fact that no new games were introduced in FY19-20 and the COVID-19 pandemic caused a decrease in overall lottery activity during the last quarter of the fiscal year.

**Total operating expenses** decreased \$182 primarily due to a decrease of \$102 in paid prizes. Other impacts to operating expense include a decrease in hardware of \$11 due to large hardware expense in the prior year to supply pin pads for cashless purchases, monitors for Keto and Xpress Sports, and additional sales terminals for new lottery retailers. The remaining decrease is due to the extension of the PTRR applications to December 2020. It is expected that additional applications will be received and approved throughout the calendar year.

**Transfers in** increased \$124 primarily due to an additional transfer from the Gaming Fund of \$119 to provide funding for the early PTRR payments.

**Tuition Payment Fund**  
Condensed, comparative, financial information (amounts in millions)

Description	2020	2019
Cash and short-term investments .....	\$ 204	\$ 135
Long-term investments .....	2,073	1,986
Other assets .....	5	5
Total assets .....	2,282	2,126
Securities lending obligations .....	152	11
Tuition benefits payable .....	1,661	1,642
Other liabilities .....	5	8
Total liabilities .....	1,818	1,661
<b>Total net position .....</b>	<b>\$ 464</b>	<b>\$ 465</b>
Total operating revenues: Sales and services .....	\$ 205	\$ 209
Total operating expenses: Cost of sales and services .....	289	254
Operating loss .....	(84)	(45)
Nonoperating revenues, net .....	83	128
<b>Increase (decrease) in net position .....</b>	<b>\$ (1)</b>	<b>\$ 83</b>

**Fund Description:** The Tuition Payment Fund is administered by the Tuition Account Guaranteed Savings Program Bureau, an office within the Commonwealth Treasury Department. The Fund provides Commonwealth residents the opportunity to prepay college tuition towards future education expenses at eligible educational institutions. An eligible educational institution is defined by the Internal Revenue Code. Commonwealth-owned and related universities and community colleges participate in the program. At June 30, 2020, 34 such institutions were participating. In addition, private institutions, which are defined as any private or out-of-state public post-secondary educational institution, are considered eligible for the program.

**Total assets** increased \$156 attributable to an increase in investments held compared to the prior year. The portfolio’s return (net of fees) at fiscal year-end 2020 was 3.85% compared to 6.66% at June 30, 2019. The plan’s returns decreased due to a combination of market fluctuation and the portfolio continued shift to a higher percentage of fixed investments that reduce risk but can carry slightly lower returns.

**Total liabilities** increased \$157. The majority of the increase is attributable to an increase in securities lending obligations due to a larger percentage of lendable securities in the portfolio. The tuition benefits payable liability remained relatively consistent, increasing \$19 or 1% over the prior year.

**Total operating expense: Cost of sales and services** increased \$35 due to increases in tuition benefit expense and tuition credit refunds. The program usage resulted in 16,715 beneficiaries using 540,072 credits during the year ended June 30, 2020, compared to 16,481 beneficiaries using 503,678 credits during the year ended June 30, 2019.

**Nonoperating revenues, net** decreased \$45 largely due to market fluctuation and the portfolio move to more fixed income investments.

**Net position** decreased \$1 over the prior year. At \$464, the plan is currently 127% funded.

**State Stores Fund**  
Condensed, comparative, financial information (amounts in millions)

Description	2020	2019
Cash and investments .....	\$ 229	\$ 278
Inventory .....	227	248
Other assets .....	39	34
Total assets .....	495	560
Total deferred outflows of resources .....	134	180
Accounts payable .....	283	315
Pension and OPEB liabilities .....	963	1,240
Other liabilities .....	132	115
Total liabilities .....	1,378	1,670
Total deferred inflows of resources .....	459	302
<b>Total net position .....</b>	<b>\$ (1,208)</b>	<b>\$ (1,232)</b>
Total operating revenues: Sales and services .....	\$ 2,078	\$ 2,170
Cost of sales and services .....	1,862	1,980
Other expenses .....	8	9
Total operating expenses .....	1,870	1,989
Operating income .....	208	181
Nonoperating revenues, net .....	5	6
Income before transfers .....	213	187
Transfers out .....	(189)	(189)
<b>Increase (decrease) in net position .....</b>	<b>\$ 24</b>	<b>\$ (2)</b>

**Fund Description:** The State Stores Fund serves as the operating fund for the Pennsylvania Liquor Control Board (PLCB). With over 600 state run stores throughout the Commonwealth, the PLCB generates revenue from the sale of wine and spirits, lottery commissions, various licensing fees, and fines. In addition, the PLCB is a wine wholesaler to holders of wine expanded permits which allows the convenience of wine sales to take place at private retailers. Profits from the State Stores Fund are used to fund the Pennsylvania State Police for their liquor law enforcement authority; support the Department of Drug and Alcohol Programs (DDAP) which provides funding to several local governments to offer drug and alcohol education; and to provide additional funding to the General Fund.

**Cash and investments** decreased \$49 primarily due to fund expenses not covered by PLCB's \$140 positive net cash flow from operating activities.

**Total deferred outflows of resources** decreased \$46 primarily due to the State Employees' Retirement System (SERS) investment gain of approximately 18.8% as of December 31, 2019. The difference between actual market returns and the actuarially assumed market returns are reported as either deferred outflows or inflows of resources, with the gain or loss amortized over five years. Partially offsetting this decrease was an increase in the PLCB's allocated share of the Retired Employees Health Program (REHP) change of assumptions deferred outflow, resulting from a decrease in the discount rate.

**Pension and OPEB liabilities** decreased \$277 due to the following: a \$198 decrease, representing PLCB's allocated share of a non-current REHP Net OPEB liability (NOL) decrease, caused primarily by a significant decrease in per capita claims costs; and a \$79 decrease, representing PLCB's allocated share of a SERS' collective net pension liability (NPL) decrease, resulting primarily from actual investment earnings exceeding projected earnings.

**Total deferred inflows of resources** increased \$157 primarily due PLCB's proportionate share of the deferred inflows related to REHP's NOL decrease caused primarily by a decrease in per capita claims costs. Additionally, there was a decrease in PLCB's proportionate share of the deferred inflow related to SERS' NPL decrease, which resulted from an increase in investment income following an investment loss in FY18, due to high market volatility.

**Total operating revenues: Sales and services** decreased \$92 due to the COVID-19 pandemic, with stores temporarily closed from mid-March through late April 2020.

**Transfers** remained consistent with the prior year. The PLCB annually distributes earnings to the General Fund for general operations. These transfers totaled \$185.1 in fiscal years 2019 and 2020. In addition, the PLCB annually transfers two percent of its profits to DDAP. A \$4.2 transfer to DDAP was established in 2020, as compared to \$3.8 in 2019.

**Commonwealth Financing Authority**  
Condensed, comparative, financial information (amounts in millions)

Description	2020	2019
Current assets .....	\$ 1,007	\$ 923
Noncurrent assets .....	259	260
Total assets .....	1,266	1,183
Total deferred outflows of resources .....	2	2
Current liabilities .....	149	142
Noncurrent liabilities .....	4,296	4,450
Total liabilities .....	4,445	4,592
Total deferred inflows of resources .....	12	—
<b>Total net position</b> .....	<b>\$ (3,189)</b>	<b>\$ (3,407)</b>
Operating revenues, net of uncollectibles .....	\$ (13)	\$ 16
Operating expenses .....	130	114
Operating loss .....	(143)	(98)
Nonoperating expenses, net .....	(218)	(164)
Loss before transfers .....	(361)	(262)
Transfers, net .....	579	(67)
<b>Increase (decrease) in net position</b> .....	<b>\$ 218</b>	<b>\$ (329)</b>

**Fund Description:** The purpose of the Commonwealth Financing Authority (CFA) is to provide financial assistance through bond issuance proceeds distributed in the form of loans, loan guarantees, grants and private equity participating loans to promote the health, safety, employment, business opportunities and economic activity of the Commonwealth.

CFA is a blended component unit of the Commonwealth, and since inception, the CFA has issued 20 revenue bonds totaling \$7.2 billion to promote economic growth in the Commonwealth. Payments of principal and interest due on outstanding debt are appropriated and transferred from the primary government annually.

**Total assets** increased \$83 primarily due to an increase in cash and cash equivalents of \$90. This increase is directly attributed to a \$115 transfer being made in advance to cover fiscal year 2021 Tobacco bond debt service requirements.

**Total liabilities** decreased \$147 due to continued debt service payments. In addition, for the 2018 Tobacco bond, the first principal payment was made in June 2020, which resulted in a principal payment of \$45. The Series A, B and C Revenue Refunding bonds totaling \$298 were issued to refund a portion of CFA's 2010 Series B Revenue Bonds, 2013 Series A-2 and B Revenue Bonds. The refunding resulted in an aggregate decrease in CFA's total debt service payments of \$52, a deferred gain on refunding of

\$12, and an economic gain of \$38. At the end of 2020, the total outstanding debt for CFA stood at \$4,413.

**Operating expenses** increased \$16 directly related to an increase in grant expenses.

**Nonoperating expenses, net** increased \$54 overall because of increases in bond interest expense and bond issuance costs.

**Transfers, net** mostly includes \$442 in transfers from the primary government for debt services, \$54 in gaming and Act 13 flood mitigation funding, \$59 to fund approved projects of the Multimodal Transportation Program, and \$20 from the Commonwealth's allocation of federal Coronavirus Relief funding for the CFA to provide grants for economic relief related to COVID-19.

**Net position** increased by \$218 primarily due to a reduction in long-term debt as a result of continued principal payments on outstanding bonds. This increase can also be attributed to the \$115 transfer made in advance to cover fiscal year 2021 Tobacco bonds debt service. CFA's business purpose may result in continued losses from operations due to the disbursement of grant awards and transfer of bond proceeds to promote economic growth.

Section E: Budget Analysis Overview

**General Fund Budgetary Basis  
Comparison between original budget and final budget**  
(Amounts in millions)

The Budgetary Comparison Schedule for the General Fund for the fiscal year ended June 30, 2020 is presented immediately following the Notes to the Financial Statements section of the CAFR. In the final budget, state program revenues were adjusted to the revised revenue estimates anticipated to be received by the end of the fiscal year, and were anticipated to be insufficient to fund all 2019-2020 original and supplemental appropriation requests.

Final federal revenues and corresponding expenditures were \$8,259 more than originally budgeted primarily due to funding received in response to the COVID-19 pandemic, which totaled \$6,846. Other increases include \$1,398 in the Department of Human Services, \$7 in the Department of Labor and Industry, and \$8 combined in the Departments of Military and Veterans Affairs, Agriculture, and the Emergency Management Agency.

The difference in total state program revenues from the original to the final budget was due to an increase of \$94 and \$106 in tax revenues and nontax revenues respectively and a decrease of \$156 in refunds, resulting in a net increase of \$356.

**General Fund Budgetary Basis  
Comparison between final budgeted and actual results**  
(Amounts in millions)

In the actual budgetary basis, state program revenues were adjusted to actual revenues received by the fiscal year-end. Final budgeted state program revenues sufficiently funded all 2019-2020 original state appropriations. Supplemental appropriations passed on May 29, 2020 by Act 1A resulted in a \$82 increase to state appropriations and a \$1,413 increase in federal appropriations, with supplemental appropriations effective as of the fiscal year ended June 30, 2020.

The difference of \$94 in actual state program expenditures under the final budget is the net result of the \$64 decrease available from departmental services and current year lapses of \$30.

Actual total state revenues were \$3,421 less than the final budgeted state revenues due to decreases in both tax (\$3,408) and nontax (\$13) revenues actually received. The \$64 decrease in departmental services is mainly attributable to decreased receipts in the Departments of Human Services, Health, Executive Offices and Criminal Justice and other agencies offset by increases in the Departments of Community and Economic Development, the Judiciary, and other agencies resulting in the net decrease of \$3,485 in state program revenues.

## Section F: Capital Asset and Long-term Debt Activity

### Capital Asset Overview and Explanation

Throughout the fiscal year, Commonwealth agencies acquire or construct capital assets. In governmental fund financial statements, expenditures for capital assets are typically reported as capital outlay. General capital assets of the Commonwealth are those used in the performance of specific governmental functions with useful lives greater than one year. General capital assets are reported as part of governmental activities in government-wide financial statements. Capital assets of proprietary funds are reported in both proprietary fund financial statements and government-wide financial statements. Fiduciary fund capital assets are reported in fiduciary fund financial statements; fiduciary funds are not included in government-wide financial statements.

Funding for construction of buildings and related improvements is almost entirely provided by proceeds of general obligation (GO) bonds issued; such proceeds are generally accounted for in capital projects funds in governmental fund financial statements as an other financing source. In the government-wide financial statements, bond proceeds are reported as additions to long-term GO bond liabilities. Construction project expenditures and cumulative construction-in-progress expenditures at fiscal year-end are reported as part of general capital assets. Highway and bridge infrastructure assets are typically funded with Motor License Fund taxes, license and registration fees, transfers from the Pennsylvania Turnpike Commission, and federal revenues. The Motor License Fund reports transportation and capital outlay expenditures in its governmental fund financial

statements; a portion of such expenditures are reported as additions to capital assets in government-wide financial statements.

In government-wide and proprietary fund financial statements, depreciation/amortization expense for capital assets is reported to recognize the cost of "using up" capital assets over their estimated useful lives. In other words, depreciation/amortization expense is an allocation of an asset's cost over its estimated useful life and is reported in the government-wide financial statements. This treatment differs from reporting capital outlay as 'current expenditures' in governmental fund financial statements. Depreciation expense of highway and bridge infrastructure and other capital assets is not related to the quality or relative value of these assets; rather, as previously mentioned, it is a specific accounting treatment to recognize the cost of "using up" the assets over periods of time. The estimated useful lives of highway and bridge infrastructure capital assets are 25 years for highways and 50 years for bridges. Neither land nor construction-in-progress assets are considered depreciable; therefore, no depreciation expense is reported for those assets.

Note 1 in the notes to the financial statements section of the CAFR discusses capital assets significant accounting policies.

Note 4 in the notes to the financial statements section of the CAFR provides more information on capital asset activities during the fiscal year ended June 30, 2020.

**Long-term Debt Overview – fiscal year ended June 30, 2020**

(Amounts in millions)

The constitution of the Commonwealth of Pennsylvania permits the incurrence of debt, without approval of the electorate, for capital projects specifically authorized in a capital budget. Capital project debt outstanding cannot exceed one and three quarters (1.75) times the average of the annual tax revenues deposited in all funds during the previous five fiscal years. The Commonwealth's constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$72.1 billion as of August 31, 2020 with net debt outstanding after credit for refunded debt of \$9.6 billion for a remaining legal debt margin of \$62.5 billion. In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate-approved programs, such as economic revitalization, land and water development, water facilities restoration, and certain environmental initiatives; and for special purposes approved by the General Assembly, such as disaster relief.

At June 30, 2020, the Commonwealth had total General Obligation Bond principal outstanding of \$10.8 billion for the following purposes:

\$	5,881	Capital Facilities Bonds
	4,578	Refunding Bonds
	296	Electorate Approved Debt (various)

During the fiscal year ended June 30, 2020, debt service fund transfers were paid primarily from the General Fund and the Motor License Fund in the amounts of \$1,127 and \$104, respectively, to make principal and interest payments to bondholders.

Note 6 in the notes to the financial statements section of the CAFR provides more details on long-term debt balances and activity.

**Debt Administration – fiscal year ending June 30, 2021**

(Amounts in millions)

During the fiscal year ending June 30, 2021, the Office of the Budget currently plans general obligation bond issuances, excluding refundings, amounting to \$2,039. This is an increase of \$2,039 as no new money bonds were issued in the fiscal year ended June 30, 2020. The current plan reflects the need to make continued investments in the Commonwealth's capital infrastructure, local capital projects and mass transportation infrastructure. On September 24, 2020, the Commonwealth settled on a \$470 bond issue to provide funds for redevelopment assistance, transportation assistance, and water and sewer systems assistance.

exceed 20% of the funds' estimated revenues for the fiscal year and must mature during the fiscal year in which they were issued. Cash shortages may occur during the fiscal year because tax receipts, unlike cash disbursements, are concentrated in the last four months of the fiscal year. The Commonwealth issued a tax anticipation note in October 2020 in the amount of \$2,500. In addition to issuing tax anticipation notes, the Commonwealth may obtain a short-term investment line of credit with the Pennsylvania Treasury Department. All amounts drawn using the lines of credit must be returned with interest in the same fiscal year in which the draw occurred.

Debt principal retirements of \$846 are currently planned for the fiscal year ending June 30, 2021.

There were no debt limitations, restrictions or commitments during the fiscal year ended June 30, 2020 that may affect the Commonwealth's plans during the fiscal year ending June 30, 2021. The Commonwealth's planned issuance for the fiscal year ending June 30, 2021 is dependent on the passage of an annual capital budget by the state legislature. No current fiscal year capital budget has been passed as of November 30, 2020.

## Section G: Currently Known Facts

(Amounts in whole dollars)

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The pandemic continued through 2020, and is anticipated to persist into 2021. The Commonwealth continues to monitor and assess the effects of the COVID-19 pandemic on the Commonwealth's operations and financial position; however the overall impact cannot be fully assessed at the time of issuance.

Under the CARES Act, the expanded benefits provided through the Pandemic Unemployment Assistance program, the Federal Pandemic Unemployment Compensation program, and the Pandemic Emergency Unemployment Compensation program continue to be available after the fiscal year-end. The Pandemic Unemployment Assistance is available through the week of December 25, 2020. The last week the Federal Pandemic Unemployment Compensation was payable was the week ending July 25, 2020. The Pandemic Emergency Unemployment Compensation is available to be paid until the week ending December 26, 2020. Additionally, the Commonwealth's remaining \$2.4 billion in Coronavirus Relief Funds are anticipated to be fully utilized on allowable expenses by December 30, 2020. Furthermore, the temporary 6.2% increase in the Federal Medical Assistance Percentage, approved under the FFCRA, is available to the Commonwealth through the end of the quarter in which the COVID-19 Public Health Emergency ends.

**Medicaid Expansion**

On January 1, 2015, the Commonwealth implemented Medicaid expansion, which is part of the federal Affordable Care Act and is voluntary for states. Medicaid expansion is currently available to Commonwealth citizens through the Department of Human Services' HealthChoices Medicaid plan. Federal funds will cover 100% of the medical costs of Medicaid expansion for calendar years 2015 to 2016, 95% in 2017, 94% in 2018, 93% in 2019 and 90% in 2020 and subsequent years.

**Health Insurance Reform**

On July 2, 2019, the Commonwealth enacted Act 42 of 2019, a reform to Pennsylvania health insurance that creates a Pennsylvania online health insurance exchange, operated in lieu of the Federal Government's exchange. Act 42 established the PA Health Insurance Exchange Authority to administer the exchange. Under the legislation, the Commonwealth is allowed to charge a user fee of 3% of exchange insurance premiums in place of the federal exchange fee of 3.5%. Additionally, on condition of a federal waiver, the Act establishes a reinsurance program to prevent premium increases in the individual

market, which would be funded by pass-through federal subsidy savings related to lower premiums. The state-based exchange is anticipated to be operational for January 1, 2021.

**Pension Reform**

On June 12, 2017, the Commonwealth enacted Act 5 of 2017 to reform pension benefits for new employees in order to lower the Commonwealth's pension costs and risk in the future. Beginning January 1, 2019, Commonwealth new, non-hazardous duty employees eligible for the State Employees' Retirement System (SERS) benefits must elect one of three new plan options. Unlike prior plans which only offered defined benefit plans, each new option contains a defined contribution element. Two are hybrid options with both defined benefit and defined contribution components, and the third is a defined contribution plan only. The contribution rates, benefit rates, and vesting time-frames vary by plan option. Current members have a one-time opportunity to opt into one of the new plan options. The addition of defined contribution components transfers a portion of investment risk to the employees, however it also provides the employees options of contributing additional amounts up to the federal maximum. In addition to the plan changes, Act 5 also created a Public Pension Management and Asset Investment Review Commission to recommend investment cost reductions. The Pennsylvania Independent Fiscal Office (IFO) estimates cash-basis reductions in the Commonwealth's costs in the billions over the next 30 years. The impact on the Commonwealth's financial statements has not yet been fully assessed at the time of issuance, but is anticipated to decrease the Commonwealth's net pension liability and expense over time.

Additionally, Act 5 also created three new plan options with defined contribution components for the Public School Employees' Retirement System (PSERS). Effective July 1, 2019, new Pennsylvania public-school employees eligible for the PSERS retirement benefits must elect one of the three new plan options. The three plan options are similar in design to the options available with the SERS, but the contribution rates required differ. Annually, the Commonwealth reimburses public schools 50% of their employer contributions, however, the Commonwealth is responsible for only a small portion of the PSERS net pension liability.

More information regarding the new plans and estimated cost-reductions under Act 5 may be found at [www.ifo.state.pa.us](http://www.ifo.state.pa.us).

**Leases Accounting and Financial Reporting**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, "Leases". This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Statement is effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022. As of the issuance date of this report, the Commonwealth is still preparing an assessment of the impact that GASB Statement No. 87 will have on its financial statements.



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Basic Financial Statements

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Government-wide Financial Statements

**Commonwealth of Pennsylvania**  
**Statement of Net Position**

June 30, 2020

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash—Note 2, 16	\$ 185,948	\$ 1,551,357	\$ 1,737,305	\$ 2,161,226
Cash with fiscal agents—Note 2	22,093	1,271,199	1,293,292	—
Temporary investments—Note 2, 16	7,581,957	853,267	8,435,224	3,120,456
Receivables (net):				
Taxes—Note 3	4,024,452	—	4,024,452	—
Unemployment assessments	—	661,988	661,988	—
Accounts	1,584,379	131,147	1,715,526	229,427
Investment income	5,507	12,798	18,305	19,113
Interest on notes and loans	—	12,573	12,573	111,924
Loans—Note 3, 16	204,459	50,879	255,338	824,974
Lease rentals	—	1,139	1,139	—
Investment sale proceeds	2,239	1,410	3,649	—
Other	143,166	13	143,179	87,358
Due from pension trust funds—Note 5	7,698	—	7,698	—
Due from primary government—Note 5	—	—	—	217,087
Due from component units—Note 5	21,939	—	21,939	1,236
Due from Federal Government	6,369,422	4,983,242	11,352,664	15,948
Due from political subdivisions	19,834	—	19,834	—
Due from other governments	21	21,431	21,452	—
Inventory	124,419	227,276	351,695	25,622
Prepaid expenses	—	2,171	2,171	37,233
Other assets	3,000	22,112	25,112	93,931
Total current assets	<u>20,300,533</u>	<u>9,804,002</u>	<u>30,104,535</u>	<u>6,945,535</u>
Noncurrent assets:				
Restricted cash—Note 2	—	4,566	4,566	53,735
Long-term investments—Note 2, 16	2,718,358	3,646,456	6,364,814	2,760,201
Receivables (net):				
Taxes—Note 3	1,617,763	—	1,617,763	—
Loans—Note 3, 16	46,433	387,855	434,288	9,130,156
Due from component units—Note 5	129,785	—	129,785	—
Non-depreciable capital assets—Note 4, 16:				
Land	3,293,492	237,009	3,530,501	472,211
Construction in progress	4,575,144	38,267	4,613,411	1,923,665
Depreciable or amortizable capital assets—Note 4, 16:				
Land improvements	1,134,570	137,454	1,272,024	490,877
Buildings and building improvements	9,080,768	530,005	9,610,773	5,720,626
Machinery and equipment	1,894,563	240,837	2,135,400	1,503,436
Turnpike infrastructure	—	—	—	8,946,265
Highway infrastructure	35,136,656	—	35,136,656	—
Bridge infrastructure	17,910,500	—	17,910,500	—
Waterway infrastructure	35,326	—	35,326	—
Infrastructure-other	258,803	—	258,803	—
Library books	—	—	—	73,551
Other capital assets	—	—	—	1
Intangible assets	1,018,468	23,374	1,041,842	130,432
Less: accumulated depreciation and amortization	(33,433,903)	(453,792)	(33,887,695)	(9,161,553)
Net depreciable or amortizable capital assets	<u>33,035,751</u>	<u>477,878</u>	<u>33,513,629</u>	<u>7,703,635</u>
Other assets	—	8,056	8,056	217,689
Total noncurrent assets	<u>45,416,726</u>	<u>4,800,087</u>	<u>50,216,813</u>	<u>22,261,292</u>
<b>TOTAL ASSETS</b>	<u>65,717,259</u>	<u>14,604,089</u>	<u>80,321,348</u>	<u>29,206,827</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	\$ 4,122,319	\$ 198,280	\$ 4,320,599	\$ 1,009,668

**Commonwealth of Pennsylvania**  
**Statement of Net Position**

June 30, 2020

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 11,167,246	\$ 6,093,921	\$ 17,261,167	\$ 645,953
Investment purchases payable	3,250	1,588	4,838	—
Tax refunds payable	586,941	—	586,941	—
Tuition benefits payable—Note 6	—	311,219	311,219	—
Securities lending obligations	72,668	172,478	245,146	14,203
Internal balances—Note 5	(68,348)	68,458	110	—
Due to pension trust funds—Note 5	205,117	3,265	208,382	—
Due to primary government—Note 5	—	—	—	22,413
Due to component units—Note 5	213,837	—	213,837	1,240
Due to political subdivisions	2,077,174	3,465	2,080,639	—
Due to other governments	38,162	8,526	46,688	949
Interest payable	175,635	16,114	191,749	320,174
Unearned revenue	2,468,142	42,047	2,510,189	170,394
Notes payable—Note 16	—	—	—	118,579
General obligation bonds payable—Note 6	823,140	—	823,140	—
Bonds Payable—Note 16	—	—	—	73,575
Revenue bonds payable—Note 6, 16	—	136,233	136,233	681,382
Capital lease/installment purchase obligations—Note 6	5,828	—	5,828	6,813
Self-insurance liabilities—Note 6, 8	119,360	6,227	125,587	8,070
Compensated absence liability—Note 6, 16	137,295	6,556	143,851	29,073
Insurance loss liability—Note 6	—	123,785	123,785	—
Other financing obligations—Note 6	18,390	—	18,390	588
Other postemployment benefit liability—Note 10, 16	592,798	26,035	618,833	57,331
Other liabilities—Note 6	505,868	19,833	525,701	495,727
Total current liabilities	19,142,503	7,039,750	26,182,253	2,646,464
Noncurrent liabilities:				
Tuition benefits payable—Note 6	—	1,349,980	1,349,980	—
Due to primary government—Note 5	—	—	—	129,785
Unearned revenue	—	—	—	1,138
Student loan auction rate security bonds payable—Note 16	—	—	—	8,000
Insurance loss liability—Note 6	—	1,211,894	1,211,894	—
Notes payable—Note 16	—	—	—	3,187,667
General obligation bonds payable—Note 6	10,674,036	—	10,674,036	—
Bonds Payable—Note 16	—	—	—	2,052,865
Revenue bonds payable—Note 6, 16	—	4,281,290	4,281,290	17,512,104
Capital lease/installment purchase obligations—Note 6	89,398	—	89,398	140,209
Other financing obligations—Note 6, 16	462,400	—	462,400	10,482
Compensated absence liability—Note 6, 16	690,027	34,524	724,551	149,694
Self-insurance liabilities—Note 6, 8	958,917	53,425	1,012,342	52,492
Other postemployment benefit liability—Note 10, 16	15,857,865	578,023	16,435,888	2,030,677
Nonexchange financial guarantees—Note 14	—	15,012	15,012	—
Net pension liability—Note 9, 16	14,701,038	641,772	15,342,810	1,695,987
Other liabilities—Note 6	2,027,603	851	2,028,454	759,854
Total noncurrent liabilities	45,461,284	8,166,771	53,628,055	27,730,954
<b>TOTAL LIABILITIES</b>	<b>64,603,787</b>	<b>15,206,521</b>	<b>79,810,308</b>	<b>30,377,418</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
<b>TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16</b>	<b>11,861,644</b>	<b>646,519</b>	<b>12,508,163</b>	<b>1,293,770</b>
<b>NET POSITION—Note 15</b>				
Net investment in capital assets	34,888,556	753,154	35,641,710	724,148
Restricted for:				
General government operations	205,566	—	205,566	—
Health-related programs	33,797	—	33,797	—
Transportation	1,330,256	144,657	1,474,913	—
Capital projects	—	494	494	4,574,114
Debt service	—	4,240	4,240	597,310
Unemployment/worker's compensation	705,073	1,969,190	2,674,263	—
Environmental and conservation programs	335,978	—	335,978	—
Economic development	3,324	19,880	23,204	109,816
Emergency support	106,856	133,029	239,885	—
Higher education	—	464,775	464,775	630,289
Beneficiaries	473,729	—	473,729	—
Other purposes	—	159,771	159,771	658,790
Unrestricted	(44,708,988)	(4,699,861)	(49,408,849)	(8,749,160)
<b>TOTAL NET POSITION</b>	<b>\$ (6,625,853)</b>	<b>\$ (1,050,671)</b>	<b>\$ (7,676,524)</b>	<b>\$ (1,454,693)</b>

- The notes to the financial statements are an integral part of this statement -

**Commonwealth of Pennsylvania**  
**Statement of Activities**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
<b>Governmental activities:</b>								
Direction and supportive services.....	\$ 1,780,658	\$ 365,256	\$ 195,277	\$ —	\$ (1,220,125)	\$ —	\$ (1,220,125)	\$ —
Protection of persons and property.....	6,288,160	1,935,737	631,383	675	(3,720,365)	—	(3,720,365)	—
Public education.....	17,500,801	5,943	1,978,066	—	(15,516,792)	—	(15,516,792)	—
Health and human services.....	47,281,732	3,725,122	29,470,439	—	(14,086,171)	—	(14,086,171)	—
Economic development.....	2,102,195	124,654	1,245,081	—	(732,460)	—	(732,460)	—
Transportation.....	6,234,113	1,428,307	2,260,060	23,254	(2,522,492)	—	(2,522,492)	—
Recreation and cultural enrichment.....	614,142	291,133	79,284	6,740	(236,985)	—	(236,985)	—
Interest.....	326,778	—	—	—	(326,778)	—	(326,778)	—
<b>Total governmental activities.....</b>	<b>82,128,579</b>	<b>7,876,152</b>	<b>35,859,590</b>	<b>30,669</b>	<b>(38,362,168)</b>	<b>—</b>	<b>(38,362,168)</b>	<b>—</b>
<b>Business-Type activities:</b>								
State lottery.....	4,315,251	4,561,273	2,183	—	—	248,205	248,205	—
State workers' insurance.....	102,667	115,981	149,314	—	—	162,628	162,628	—
Tuition payment.....	289,113	204,868	83,591	—	—	(654)	(654)	—
Unemployment compensation.....	21,726,219	2,680,334	16,925,552	—	—	(2,120,333)	(2,120,333)	—
Commonwealth financing.....	383,494	5,917	16,432	—	—	(361,145)	(361,145)	—
Liquor control.....	1,870,198	2,078,231	4,906	—	—	212,939	212,939	—
Economic development and other.....	54,205	33,848	12,742	14,398	—	6,783	6,783	—
<b>Total business-type activities.....</b>	<b>28,741,147</b>	<b>9,680,452</b>	<b>17,194,720</b>	<b>14,398</b>	<b>—</b>	<b>(1,851,577)</b>	<b>(1,851,577)</b>	<b>—</b>
<b>Total primary government.....</b>	<b>\$ 110,869,726</b>	<b>\$ 17,556,604</b>	<b>\$ 53,054,310</b>	<b>\$ 45,067</b>	<b>(38,362,168)</b>	<b>(1,851,577)</b>	<b>(40,213,745)</b>	<b>—</b>
<b>Component units:</b>								
Total component units.....	\$ 6,200,044	\$ 3,438,399	\$ 2,279,311	\$ 300,544	—	—	—	(181,790)
		<b>General revenues:</b>						
		<b>Taxes:</b>						
					13,253,021	—	13,253,021	—
					11,763,375	—	11,763,375	—
					5,099,250	—	5,099,250	—
					3,445,897	—	3,445,897	—
					1,196,563	—	1,196,563	—
					1,071,513	—	1,071,513	—
					1,223,918	—	1,223,918	—
					589,838	—	589,838	—
					991,947	—	991,947	—
					<b>38,635,322</b>	<b>—</b>	<b>38,635,322</b>	<b>—</b>
					45,409	—	45,409	—
					<b>38,680,731</b>	<b>—</b>	<b>38,680,731</b>	<b>—</b>
					(486,771)	486,771	—	—
					<b>38,193,960</b>	<b>486,771</b>	<b>38,680,731</b>	<b>—</b>
					(168,208)	(1,364,806)	(1,533,014)	(181,790)
					<b>(6,457,645)</b>	<b>314,135</b>	<b>(6,143,510)</b>	<b>(1,272,903)</b>
					<b>\$ (6,625,853)</b>	<b>\$ (1,050,671)</b>	<b>\$ (7,676,524)</b>	<b>\$ (1,454,693)</b>

- The notes to the financial statements are an integral part of this statement -



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Fund Financial Statements

**Commonwealth of Pennsylvania**  
**Balance Sheet**  
 Governmental Funds  
 June 30, 2020

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
<b>ASSETS</b>				
Cash—Note 2 .....	\$ 75,792	\$ 62,461	\$ 45,561	\$ 183,814
Cash with fiscal agents—Note 2 .....	14,051	—	8,042	22,093
Temporary investments—Note 2 .....	3,869,676	738,096	2,954,579	7,562,351
Long-term investments—Note 2 .....	215,593	173,676	2,303,365	2,692,634
Receivables (net):				
Taxes—Note 3 .....	5,432,825	177,706	31,684	5,642,215
Accounts .....	1,303,276	29,340	251,300	1,583,916
Investment income .....	1,307	210	3,983	5,500
Loans—Note 3 .....	250,892	—	—	250,892
Investment sale proceeds .....	—	—	2,239	2,239
Other .....	115,637	27,529	—	143,166
Due from other funds—Note 5 .....	153,582	3,180	295,204	451,966
Due from pension trust funds—Note 5 .....	534	2,802	54	3,390
Due from component units—Note 5 .....	145,269	21	6,339	151,629
Due from Federal Government .....	6,043,680	314,081	11,660	6,369,421
Due from political subdivisions .....	14,706	4,504	—	19,210
Due from other governments .....	3	—	11	14
Advances to other funds—Note 5 .....	8,667	—	284,000	292,667
Other assets .....	3,000	—	—	3,000
<b>TOTAL ASSETS</b> .....	<b>\$ 17,648,490</b>	<b>\$ 1,533,606</b>	<b>\$ 6,198,021</b>	<b>\$ 25,380,117</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities .....	\$ 10,034,749	\$ 662,609	\$ 430,836	\$ 11,128,194
Investment purchases payable .....	—	—	3,250	3,250
Tax refunds payable .....	583,711	3,230	—	586,941
Securities lending obligations .....	3,323	2,678	66,271	72,272
Due to other funds—Note 5 .....	149,399	116,519	115,010	380,928
Due to component units—Note 5 .....	194,135	230	19,470	213,835
Due to pension trust funds—Note 5 .....	194,428	7,413	2,961	204,802
Due to political subdivisions .....	1,808,477	71,084	197,606	2,077,167
Due to other governments .....	10,913	26,536	647	38,096
Unearned revenue—Note 3 .....	2,383,044	25,464	59,635	2,468,143
Advances from other funds—Note 5 .....	278,500	22,497	20,692	321,689
Other liabilities .....	352,467	—	—	352,467
<b>TOTAL LIABILITIES</b> .....	<b>15,993,146</b>	<b>938,260</b>	<b>916,378</b>	<b>17,847,784</b>
<b>Deferred inflows of resources:</b>				
<b>TOTAL DEFERRED INFLOWS OF RESOURCES - Note 3</b> .....	<b>3,180,547</b>	<b>—</b>	<b>172,564</b>	<b>3,353,111</b>
<b>Fund balances—Note 15:</b>				
Nonspendable .....	170,248	—	—	170,248
Restricted .....	21,779	595,346	4,695,407	5,312,532
Committed .....	3,181,608	—	428,546	3,610,154
Unassigned deficit .....	(4,898,838)	—	(14,874)	(4,913,712)
<b>TOTAL FUND BALANCES</b> .....	<b>(1,525,203)</b>	<b>595,346</b>	<b>5,109,079</b>	<b>4,179,222</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<b>\$ 17,648,490</b>	<b>\$ 1,533,606</b>	<b>\$ 6,198,021</b>	<b>\$ 25,380,117</b>

- The notes to the financial statements are an integral part of this statement -

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**Commonwealth of Pennsylvania**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds to the Statement of Net Position**

June 30, 2020

(Amounts in thousands)

The governmental funds balance sheet reports total fund balance for all governmental funds. In the governmental activities column in the statement of net position, amounts are reported for all governmental funds and are adjusted to account for specific items that are treated differently on the statement of net position than on the governmental funds balance sheet. Under the modified accrual basis of accounting, numerous governmental assets are deferred because they may not be "available," (that is, they are not current financial resources) and, similarly, numerous governmental liabilities are not reported because they are not due and payable until after fiscal year-end. The following reconciliation begins with total governmental funds fund balance and ends with total net position for governmental activities. It includes all of the adjustments made to "convert" governmental fund information in the fund financial statements to governmental activities information in the statement of net position.

**Total Fund Balances—Governmental Funds**..... \$ **4,179,222**

General capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds balance sheet. These assets consist of:

Land.....	\$	3,293,492	
Land improvements.....		1,134,378	
Buildings and building improvements.....		9,074,430	
Machinery and equipment.....		1,757,245	
Infrastructure.....		53,341,285	
Intangible.....		1,018,468	
Construction in progress.....		4,575,144	
Accumulated depreciation.....		<u>(33,336,920)</u>	
Net general capital assets.....			40,857,522

Certain revenues are earned but not available at fiscal year-end, and therefore, are reported as deferred inflows of resources in the governmental funds balance sheet..... 3,353,111

Debt refunding losses are recognized as deferred outflows of resources and debt refunding gains are reported as deferred inflows of resources in the governmental activities statement of net position..... (131,987)

Internal service funds are proprietary in nature and charge the costs of certain goods and services to governmental funds. Therefore, the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the statement of net position as governmental activities..... (30,681)

The statement of net position includes inventories that are not reported in the governmental funds balance sheet because they are not current financial resources..... 110,456

The statement of net position includes net pension liabilities for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the net pension liability and associated deferred outflows of resources and deferred inflows of resources related to these pension obligations..... (14,103,310)

The statement of net position includes other postemployment benefit liabilities for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the other postemployment benefit liability and associated deferred outflows of resources and deferred inflows of resources related to other postemployment benefits..... (24,693,788)

**Commonwealth of Pennsylvania**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds to the Statement of Net Position**

June 30, 2020

(Amounts in thousands)

The statement of net position includes asset retirement obligations for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the asset retirement obligation liability and associated deferred outflows of resources related to asset retirement obligations..... (12,200)

Certain general long-term liabilities are not due and payable at fiscal year-end, and therefore, are not reported in the governmental funds balance sheet.

These liabilities are:

Bonds payable.....	\$	(11,497,176)	
Accrued interest payable.....		(175,635)	
Capital lease and installment purchase obligations.....		(93,777)	
Compensated absence liability.....		(824,266)	
Self-insurance liabilities.....		(1,073,994)	
Other financing obligations.....		(480,790)	
Other liabilities.....		<u>(2,008,560)</u>	
			<u>(16,154,198)</u>

**Total Net Position—Governmental Activities.....** \$ **(6,625,853)**

- The notes to the financial statements are an integral part of this statement. -

**Commonwealth of Pennsylvania**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
<b>REVENUES:</b>				
Taxes, net of refunds.....	\$ 32,687,322	\$ 3,382,948	\$ 2,443,902	\$ 38,514,172
Licenses and fees.....	613,793	1,075,920	1,340,478	3,030,191
Intergovernmental.....	33,325,865	1,731,505	704,199	35,761,569
Charges for sales and services.....	3,703,708	56,082	485,006	4,244,796
Investment income.....	43,759	15,488	179,753	239,000
Interest on notes and loans.....	781	—	—	781
Other.....	342,285	1,610	270,042	613,937
<b>TOTAL REVENUES</b> .....	<b>70,717,513</b>	<b>6,263,553</b>	<b>5,423,380</b>	<b>82,404,446</b>
<b>EXPENDITURES:</b>				
Current:				
Direction and supportive services.....	1,267,988	36,991	373,071	1,678,050
Protection of persons and property.....	4,647,132	991,348	1,020,527	6,659,007
Health and human services.....	47,128,172	—	634,722	47,762,894
Public education.....	16,824,044	328	639,673	17,464,045
Recreation and cultural enrichment.....	341,621	4,886	265,893	612,400
Economic development.....	1,400,678	171	731,200	2,132,049
Transportation.....	58,193	2,795,235	1,667,243	4,520,671
Capital outlay.....	106,233	2,623,360	271,511	3,001,104
Debt service:				
Principal retirement.....	17,370	—	817,746	835,116
Interest and fiscal charges.....	47,816	171	507,952	555,939
<b>TOTAL EXPENDITURES</b> .....	<b>71,839,247</b>	<b>6,452,490</b>	<b>6,929,538</b>	<b>85,221,275</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES</b>				
<b>OVER/(UNDER) EXPENDITURES</b> .....	<b>(1,121,734)</b>	<b>(188,937)</b>	<b>(1,506,158)</b>	<b>(2,816,829)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in—Note 5.....	508,058	28,697	1,750,032	2,286,787
Transfers out—Note 5.....	(1,750,401)	(117,596)	(905,561)	(2,773,558)
Capital lease and installment purchase.....	3,460	1,145	—	4,605
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(1,238,883)</b>	<b>(87,754)</b>	<b>844,471</b>	<b>(482,166)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(2,360,617)</b>	<b>(276,691)</b>	<b>(661,687)</b>	<b>(3,298,995)</b>
<b>FUND BALANCES, JULY 1, 2019 (restated)—Note 18</b> .....	<b>835,414</b>	<b>872,037</b>	<b>5,770,766</b>	<b>7,478,217</b>
<b>FUND BALANCES, JUNE 30, 2020</b> .....	<b>\$ (1,525,203)</b>	<b>\$ 595,346</b>	<b>\$ 5,109,079</b>	<b>\$ 4,179,222</b>

- The notes to the financial statements are an integral part of this statement -

**Commonwealth of Pennsylvania**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**

**Balances-Governmental Funds to the Statement of Activities**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

The governmental funds statement of revenues, expenditures and changes in fund balances reports events and activities that affect, on a current financial resources basis, fund balance changes during the fiscal year. The governmental activities column on the government-wide statement of activities conveys information on an economic resources basis. In effect, the government-wide statement demonstrates all expenses and revenues related to the operation of the government for the fiscal year ended June 30, 2020. Expenses such as depreciation and certain claims and judgments and revenues that may not be collected for several months after fiscal year-end are included in the government-wide statement but are not included in the governmental funds statement. This reconciliation reports all economic events during the fiscal year that appear on the government-wide statement of activities but are not included in the governmental funds statement.

**Net change in total fund balances of governmental funds..... \$ (3,298,995)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds; however, in the government-wide statements, capital outlays are reported as increases in capital assets (not expenses), and the cost of general capital assets is allocated over their estimated useful lives and reported as depreciation expense. All depreciation is reported as part of functional program expenses. The current amounts were:

Capital asset acquisitions .....	\$ 3,001,104	
Depreciation expense and losses on retirement or sale of assets .....	(2,300,047)	
Capital lease, installment purchase and related payments .....	5,296	
Net excess of capital asset additions/installment purchase payments over depreciation expense .....		706,353

Long-term debt proceeds provide current financial resources to governmental funds; however, issuing long-term debt increases general long-term liabilities in the statement of net position. During the current fiscal year, proceeds were received from capital lease and installment purchase acquisitions:..... (4,605)

Repayment of general long-term liabilities is reported as an expenditure in governmental funds, but the repayment reduces general long-term liabilities in the statement of net position. During the current fiscal year, these amounts consisted of retirement of bond principal:..... 835,116

Internal service funds charge the costs of certain goods and services to individual funds. The net loss of the internal service funds is reported as part of governmental activities expenses..... 8,827

Certain tax and other revenues due by fiscal year-end will not be collected for several months or years after fiscal year-end; they are not considered available revenues in the governmental funds, but they are reported as revenues in the statement of activities..... 35,218

Certain expense adjustments are reported in the statement of activities because they are not due and payable and are funded with future economic resources rather than current available financial resources..... 1,549,878

**Net change in governmental net position in the statement of activities ..... \$ (168,208)**

- The notes to the financial statements are an integral part of this statement -

**Commonwealth of Pennsylvania**  
**Statement of Net Position**  
**Proprietary Funds**

June 30, 2020

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2019)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
	Fund	(Dec. 31, 2019)	Fund	Fund	Fund	Authority	Funds	Total	
<b>ASSETS</b>									
Current assets:									
Cash—Note 2	\$ 548,578	\$ 466	\$ 31,237	\$ 6,187	\$ 46,674	\$ 885,526	\$ 32,689	\$ 1,551,357	\$ 2,132
Cash with fiscal agents	1,271,198	—	—	—	—	—	1	1,271,199	—
Temporary investments—Note 2	12,687	73,390	304,114	198,311	182,118	—	82,647	853,267	19,613
Receivables (net):									
Unemployment assessments	661,988	—	—	—	—	—	—	661,988	—
Accounts	61,071	33,905	28,662	—	7,416	—	93	131,147	463
Investment income	5	9,107	100	3,565	—	—	21	12,798	7
Interest on loans	9,417	—	—	—	—	2,469	687	12,573	—
Loans—Note 3	—	—	—	—	—	25,557	25,322	50,879	—
Lease rental	—	—	—	—	—	—	1,139	1,139	—
Investment sale proceeds	—	—	—	1,410	—	—	—	1,410	—
Other	—	—	—	10	—	—	3	13	—
Due from other funds—Note 5	10,946	—	19	—	200	93,483	12,895	117,543	31,432
Due from pension trust funds—Note 5	—	—	—	—	—	—	—	—	4,309
Due from component units—Note 5	—	—	—	—	—	—	—	—	95
Due from Federal Government	4,983,156	—	—	—	—	—	86	4,983,242	—
Due from political subdivisions	—	—	—	—	—	—	—	—	624
Due from other governments	21,375	—	—	—	—	—	56	21,431	7
Advances to other funds—Note 5	—	—	—	—	—	—	31,322	31,322	—
Inventory	—	—	—	—	227,272	—	4	227,276	13,963
Prepaid expenses	—	—	—	—	1,390	—	781	2,171	—
Other assets	—	646	19,932	—	—	—	1,534	22,112	—
<b>Total current assets</b>	<b>7,580,421</b>	<b>117,514</b>	<b>384,064</b>	<b>209,483</b>	<b>465,070</b>	<b>1,007,035</b>	<b>189,280</b>	<b>9,952,867</b>	<b>72,645</b>
Noncurrent assets:									
Restricted cash	—	—	—	—	—	—	4,566	4,566	—
Long-term investments—Note 2	—	1,363,410	3	2,073,194	—	—	209,849	3,646,456	25,722
Receivables (net):									
Loans—Note 3	—	—	—	—	—	258,611	129,244	387,855	—
Non-depreciable capital assets—Note 4:									
Land	—	—	—	—	323	—	236,686	237,009	—
Construction in progress	—	—	—	—	—	—	38,267	38,267	—
Depreciable or amortizable capital assets—Note 4:									
Land improvements	—	—	—	—	—	—	137,454	137,454	192
Buildings and building improvements	—	—	—	—	21,073	—	508,932	530,005	6,338
Machinery and equipment	—	1,512	112,908	—	52,267	—	74,150	240,837	137,318
Intangible assets	—	—	—	—	23,374	—	—	23,374	—
Less: accumulated depreciation and amortization	—	(1,512)	(75,563)	—	(67,453)	—	(309,264)	(453,792)	(96,983)
<b>Net depreciable or amortizable capital assets</b>	<b>—</b>	<b>—</b>	<b>37,345</b>	<b>—</b>	<b>29,261</b>	<b>—</b>	<b>411,272</b>	<b>477,878</b>	<b>46,865</b>
Other assets	—	—	—	—	—	—	8,056	8,056	—
<b>Total noncurrent assets</b>	<b>—</b>	<b>1,363,410</b>	<b>37,348</b>	<b>2,073,194</b>	<b>29,584</b>	<b>258,611</b>	<b>1,037,940</b>	<b>4,800,087</b>	<b>72,587</b>
<b>TOTAL ASSETS</b>	<b>7,580,421</b>	<b>1,480,924</b>	<b>421,412</b>	<b>2,282,677</b>	<b>494,654</b>	<b>1,265,646</b>	<b>1,227,220</b>	<b>14,752,954</b>	<b>145,232</b>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10</b>	<b>\$ 36,007</b>	<b>\$ 4,872</b>	<b>\$ 12,301</b>	<b>\$ —</b>	<b>\$ 133,256</b>	<b>\$ 1,750</b>	<b>\$ 10,094</b>	<b>\$ 198,280</b>	<b>\$ 11,727</b>

**Commonwealth of Pennsylvania**  
**Statement of Net Position**  
**Proprietary Funds**

June 30, 2020

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2019)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
<b>LIABILITIES</b>									
Current liabilities:									
Accounts payable and accrued liabilities	\$ 5,579,157	\$ 9,033	\$ 198,161	\$ 3,098	\$ 282,676	\$ —	\$ 21,796	\$ 6,093,921	\$ 39,052
Investment purchases payable	—	—	—	1,588	—	—	—	1,588	—
Tuition benefits payable—Note 6	—	—	—	311,219	—	—	—	311,219	—
Securities lending obligations	—	17,362	—	151,880	—	—	3,236	172,478	397
Due to other funds—Note 5	4,979	—	190,321	34	17,896	672	991	214,893	5,103
Due to pension trust funds—Note 5	11	—	283	—	2,847	—	124	3,265	311
Due to component units—Note 5	—	—	—	—	—	—	—	—	2
Due to political subdivisions	—	—	3,444	—	—	—	21	3,465	7
Due to other governments	4,886	—	2,530	—	780	—	330	8,526	66
Interest payable	—	—	—	—	—	16,039	75	16,114	—
Unearned revenue	—	39,843	1,721	—	—	—	483	42,047	—
Revenue bonds payable—Note 6	—	—	—	—	—	131,705	4,528	136,233	—
Capital lease/installment purchase obligations—Note 6	—	—	—	—	—	—	—	—	658
Self-insurance liabilities—Note 8	13	91	169	—	5,852	—	102	6,227	447
Compensated absences—Note 6	—	292	503	—	5,343	—	418	6,556	489
Insurance loss liability—Note 6	—	123,785	—	—	—	—	—	123,785	—
Advances from other funds—Note 5	—	2,430	—	—	—	—	—	2,430	—
Other postemployment benefit liability—Note 10	405	1,376	2,202	—	20,743	—	1,309	26,035	1,698
Other liabilities	—	17,324	—	—	—	—	2,509	19,833	—
Total current liabilities	5,589,451	211,536	399,334	467,819	336,137	148,416	35,922	7,188,615	48,230
Noncurrent liabilities:									
Tuition benefits payable—Note 6	—	—	—	1,349,980	—	—	—	1,349,980	—
Insurance loss liability—Note 6	—	1,211,589	—	—	—	—	305	1,211,894	—
Revenue bonds payable—Note 6	—	—	—	—	—	4,281,290	—	4,281,290	—
Installment purchase obligation—Note 6	—	—	—	—	—	—	—	—	791
Compensated absences—Note 6	—	1,535	2,640	103	28,050	—	2,196	34,524	2,567
Self-insurance liabilities—Note 8	114	782	1,451	—	50,201	—	877	53,425	3,836
Other postemployment benefit liability—Note 10	8,807	29,940	47,908	—	460,717	—	30,651	578,023	36,958
Nonexchange financial guarantees—Note 14	—	—	—	—	—	15,012	—	15,012	—
Net pension liability—Note 9	9,660	35,493	58,612	—	502,126	—	35,881	641,772	55,162
Other liabilities	—	—	—	—	—	—	851	851	—
Total noncurrent liabilities	18,581	1,279,339	110,611	1,350,083	1,041,094	4,296,302	70,761	8,166,771	99,314
<b>TOTAL LIABILITIES</b>	<b>5,608,032</b>	<b>1,490,875</b>	<b>509,945</b>	<b>1,817,902</b>	<b>1,377,231</b>	<b>4,444,718</b>	<b>106,683</b>	<b>15,355,386</b>	<b>147,544</b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10</b>	<b>39,206</b>	<b>39,731</b>	<b>53,836</b>	<b>—</b>	<b>459,341</b>	<b>12,285</b>	<b>42,120</b>	<b>646,519</b>	<b>40,096</b>
<b>NET POSITION—Note 15</b>									
Net investment in capital assets	—	—	37,345	—	29,584	—	686,225	753,154	45,416
Restricted for:									
Transportation	—	—	—	—	—	—	144,657	144,657	—
Capital projects	—	—	—	—	—	—	494	494	—
Debt service	—	—	—	—	—	—	4,240	4,240	—
Unemployment/workers' compensation	1,969,190	—	—	—	—	—	—	1,969,190	—
Economic development	—	—	—	—	—	—	19,880	19,880	—
Emergency support	—	—	—	—	—	—	133,029	133,029	—
Higher education	—	—	—	464,775	—	—	—	464,775	—
Other purposes	—	—	—	—	—	—	159,771	159,771	—
Unrestricted	—	(44,810)	(167,413)	—	(1,238,246)	(3,189,607)	(59,785)	(4,699,861)	(76,097)
<b>TOTAL NET POSITION</b>	<b>\$ 1,969,190</b>	<b>\$ (44,810)</b>	<b>\$ (130,068)</b>	<b>\$ 464,775</b>	<b>\$ (1,208,662)</b>	<b>\$ (3,189,607)</b>	<b>\$ 1,088,511</b>	<b>\$ (1,050,671)</b>	<b>\$ (30,681)</b>

- The notes to the financial statements are an integral part of this statement -

**Commonwealth of Pennsylvania**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2019)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
<b>OPERATING REVENUES:</b>									
Sales and services—Note 3	\$ 2,674,715	\$ 115,394	\$ 4,560,904	\$ 204,868	\$ 2,078,226	\$ 305	\$ 26,087	\$ 9,660,499	\$ 103,522
Interest on loans	—	—	—	—	—	4,844	2,567	7,411	—
Other	—	587	—	—	—	768	3,881	5,236	—
<b>OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS</b>	<b>2,674,715</b>	<b>115,981</b>	<b>4,560,904</b>	<b>204,868</b>	<b>2,078,226</b>	<b>5,917</b>	<b>32,535</b>	<b>9,673,146</b>	<b>103,522</b>
Provision for uncollectible accounts	—	—	—	—	—	(19,490)	608	(18,882)	—
<b>NET OPERATING REVENUES</b>	<b>2,674,715</b>	<b>115,981</b>	<b>4,560,904</b>	<b>204,868</b>	<b>2,078,226</b>	<b>(13,573)</b>	<b>33,143</b>	<b>9,654,264</b>	<b>103,522</b>
<b>OPERATING EXPENSES:</b>									
Cost of sales and services	21,724,481	100,969	4,308,501	287,931	1,862,300	130,309	16,347	28,430,838	81,380
Depreciation and amortization	—	—	6,750	—	7,898	—	28,579	43,227	14,891
Other	—	—	—	—	—	7	5,482	5,489	—
<b>TOTAL OPERATING EXPENSES</b>	<b>21,724,481</b>	<b>100,969</b>	<b>4,315,251</b>	<b>287,931</b>	<b>1,870,198</b>	<b>130,316</b>	<b>50,408</b>	<b>28,479,554</b>	<b>96,271</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(19,049,766)</b>	<b>15,012</b>	<b>245,653</b>	<b>(83,063)</b>	<b>208,028</b>	<b>(143,889)</b>	<b>(17,265)</b>	<b>(18,825,290)</b>	<b>7,251</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Investment income	17,651	149,314	2,552	83,591	4,906	16,432	12,405	286,851	1,650
Interest expense	(1,603)	—	—	—	—	(191,909)	—	(193,512)	(61)
Investment expense	—	(1,698)	—	(1,182)	—	—	—	(2,880)	—
Grants and other revenues	16,913,520	—	—	—	5	—	1,650	16,915,175	—
Other expenses	(135)	—	—	—	—	(41,779)	(4,405)	(46,319)	(13)
<b>NONOPERATING REVENUES (EXPENSES), NET</b>	<b>16,929,433</b>	<b>147,616</b>	<b>2,552</b>	<b>82,409</b>	<b>4,911</b>	<b>(217,256)</b>	<b>9,650</b>	<b>16,959,315</b>	<b>1,576</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>(2,120,333)</b>	<b>162,628</b>	<b>248,205</b>	<b>(654)</b>	<b>212,939</b>	<b>(361,145)</b>	<b>(7,615)</b>	<b>(1,865,975)</b>	<b>8,827</b>
<b>TRANSFERS AND CONTRIBUTIONS:</b>									
Capital contributions	—	—	—	—	—	—	14,398	14,398	—
Transfers in—Note 5	—	—	265,500	—	—	578,909	77,695	922,104	—
Transfers out—Note 5	(5,152)	—	(235,907)	—	(189,274)	—	(5,000)	(435,333)	—
<b>TRANSFERS AND CONTRIBUTIONS, NET</b>	<b>(5,152)</b>	<b>—</b>	<b>29,593</b>	<b>—</b>	<b>(189,274)</b>	<b>578,909</b>	<b>87,093</b>	<b>501,169</b>	<b>—</b>
<b>INCREASE/(DECREASE) IN NET POSITION</b>	<b>(2,125,485)</b>	<b>162,628</b>	<b>277,798</b>	<b>(654)</b>	<b>23,665</b>	<b>217,764</b>	<b>79,478</b>	<b>(1,364,806)</b>	<b>8,827</b>
<b>TOTAL NET POSITION, JULY 1, 2019</b>	<b>4,094,675</b>	<b>(207,438)</b>	<b>(407,866)</b>	<b>465,429</b>	<b>(1,232,327)</b>	<b>(3,407,371)</b>	<b>1,009,033</b>	<b>314,135</b>	<b>(39,508)</b>
<b>TOTAL NET POSITION, JUNE 30, 2020</b>	<b>\$ 1,969,190</b>	<b>\$ (44,810)</b>	<b>\$ (130,068)</b>	<b>\$ 464,775</b>	<b>\$ (1,208,662)</b>	<b>\$ (3,189,607)</b>	<b>\$ 1,088,511</b>	<b>\$ (1,050,671)</b>	<b>\$ (30,681)</b>

- The notes to the financial statements are an integral part of this statement -

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**Commonwealth of Pennsylvania**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2019)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>									
Receipts from employers	\$ 2,628,403	\$ 115,422	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,743,825	\$ —
Receipts from customers and participants	—	—	4,568,517	204,866	2,074,233	—	21,801	6,869,417	109,109
Receipts from borrowers for fees and loan repayments	—	—	—	—	—	32,206	31,718	63,924	—
Receipt of premiums	—	—	—	—	—	—	6,818	6,818	—
Payments to programs for the elderly	—	—	(1,024,479)	—	—	—	—	(1,024,479)	—
Payments to prize winners	—	—	(2,949,533)	—	—	—	—	(2,949,533)	—
Payments to participants	—	—	—	(262,997)	—	—	—	(262,997)	—
Payments to claimants	(16,228,644)	(143,825)	—	—	—	—	—	(16,372,469)	—
Payments to borrowers	—	—	—	—	—	(46,705)	(29,232)	(75,937)	—
Payments for vendors, employees and other costs	—	(62,278)	(537,682)	(9,235)	(1,934,360)	(4,298)	(24,034)	(2,571,887)	(94,454)
Payments of grants and loan guarantees	—	—	—	—	—	(127,519)	—	(127,519)	—
Other receipts	—	587	—	—	—	—	42	629	213
Other payments	—	—	—	—	—	(7)	—	(7)	—
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(13,600,241)</b>	<b>(90,094)</b>	<b>56,823</b>	<b>(67,366)</b>	<b>139,873</b>	<b>(146,323)</b>	<b>7,113</b>	<b>(13,700,215)</b>	<b>14,868</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>									
Net advances from (to) other funds	—	(30)	—	—	—	—	(9,027)	(9,057)	—
Proceeds from other non-capital borrowings	—	—	—	—	—	306,417	—	306,417	—
Principal payments on other non-capital debt	(511,375)	—	—	—	—	(430,145)	—	(941,520)	—
Interest payments on other non-capital debt	(16,850)	—	—	—	—	(201,479)	—	(218,329)	—
Transfers in	—	—	265,500	—	—	586,894	72	852,466	—
Transfers out	(5,152)	—	(235,907)	—	(187,369)	(40,000)	(5,000)	(473,428)	—
Grants and other revenues	11,925,534	—	3,623	—	—	—	1,623	11,930,780	—
Bond issuance costs	(292)	—	—	—	—	(1,779)	(782)	(2,853)	—
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>11,391,865</b>	<b>(30)</b>	<b>33,216</b>	<b>—</b>	<b>(187,369)</b>	<b>219,908</b>	<b>(13,114)</b>	<b>11,444,476</b>	<b>—</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>									
Acquisition and construction of capital assets	—	—	(12,861)	—	(7,193)	—	(107,353)	(127,407)	(12,859)
Proceeds from disposal of capital assets	—	—	—	—	5	—	—	5	2,258
Capital lease/installment purchase payments	—	—	—	—	—	—	—	—	(869)
Principal payments on other capital debt	—	—	—	—	—	—	(4,275)	(4,275)	—
Interest payments on other capital debt	—	—	—	—	—	—	(332)	(332)	—
Transfers in	—	—	—	—	—	—	66,829	66,829	—
Capital contributions	—	—	—	—	—	—	14,398	14,398	—
Reimbursements of expenses from other funds	—	—	—	—	—	—	4,536	4,536	—
Maintenance payments	—	—	—	—	—	—	(4,438)	(4,438)	—
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>—</b>	<b>—</b>	<b>(12,861)</b>	<b>—</b>	<b>(7,188)</b>	<b>—</b>	<b>(30,635)</b>	<b>(50,684)</b>	<b>(11,470)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>									
Purchase of investments	(13,966)	(2,151,209)	(1,613,453)	(3,021,628)	(1,534,151)	—	(78,582)	(8,412,989)	(298,772)
Sales and maturities of investments	4,449	2,194,458	1,563,892	3,032,760	1,578,312	—	79,358	8,453,229	294,886
Investment income	17,667	46,287	2,874	54,104	4,906	16,432	7,704	149,974	966
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>8,150</b>	<b>89,536</b>	<b>(46,687)</b>	<b>65,236</b>	<b>49,067</b>	<b>16,432</b>	<b>8,480</b>	<b>190,214</b>	<b>(2,920)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,200,226)</b>	<b>(588)</b>	<b>30,491</b>	<b>(2,130)</b>	<b>(5,617)</b>	<b>90,017</b>	<b>(28,156)</b>	<b>(2,116,209)</b>	<b>478</b>
<b>CASH AT JULY 1, 2019</b>	<b>4,020,002</b>	<b>1,054</b>	<b>746</b>	<b>8,317</b>	<b>52,291</b>	<b>795,509</b>	<b>65,412</b>	<b>4,943,331</b>	<b>1,654</b>
<b>CASH AT JUNE 30, 2020 (including \$4,566 in restricted assets)</b>	<b>\$ 1,819,776</b>	<b>\$ 466</b>	<b>\$ 31,237</b>	<b>\$ 6,187</b>	<b>\$ 46,674</b>	<b>\$ 885,526</b>	<b>\$ 37,256</b>	<b>\$ 2,827,122</b>	<b>\$ 2,132</b>

**Commonwealth of Pennsylvania**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2019)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>									
Operating income (loss).....	\$ (19,049,766)	\$ 15,012	\$ 245,653	\$ (83,063)	\$ 208,028	\$ (143,889)	\$ (17,265)	\$ (18,825,290)	\$ 7,251
Depreciation and amortization of capital assets.....	—	—	6,750	—	7,898	—	28,579	43,227	14,891
Amortization of other assets.....	—	—	—	—	—	—	5,482	5,482	—
Provision for uncollectible accounts.....	—	—	—	—	—	(19,490)	(608)	(20,098)	—
Other adjustments.....	—	—	—	—	—	—	—	—	(2,258)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:									
Unemployment assessments receivable.....	(53,024)	—	—	—	—	—	—	(53,024)	—
Accounts receivable.....	9,744	14,828	1,897	—	(3,810)	—	224	22,883	47
Interest on loans receivable.....	(220)	—	—	—	—	(617)	25	(812)	—
Loans receivable.....	—	—	—	—	—	19,643	(4,622)	15,021	—
Lease rental receivable.....	—	—	—	—	—	—	104	104	—
Other receivables.....	—	—	—	(17)	—	—	—	(17)	—
Due from other funds.....	(10,688)	—	3	(3)	(184)	—	7,055	(3,817)	4,301
Due from pension trust funds.....	—	—	—	—	—	—	—	—	628
Due from component units.....	—	—	—	—	—	—	—	—	(47)
Due from political subdivisions.....	4,165	—	—	—	—	—	—	4,165	(590)
Due from other governments.....	(8,599)	—	—	—	—	—	3	(8,596)	(7)
Inventory.....	—	—	—	—	19,225	—	—	19,225	305
Prepaid expenses.....	—	—	—	—	(867)	—	—	(867)	—
Other current and noncurrent assets.....	—	—	532	—	—	—	(907)	(375)	—
Deferred outflows.....	12,310	3,570	4,984	—	46,508	—	4,201	71,573	3,973
Accounts payable and accrued liabilities.....	5,518,902	(3,658)	(210,108)	(3,396)	(32,166)	(148)	(1,499)	5,267,927	(6,942)
Tuition benefits payable.....	—	—	—	19,115	—	—	—	19,115	—
Due to other funds.....	(602)	—	29,338	(2)	2,220	9	601	31,564	2,856
Due to pension trust funds.....	(27)	—	49	—	559	—	22	603	57
Due to component units.....	—	—	—	—	—	—	—	—	2
Due to political subdivisions.....	(18)	—	(5,750)	—	—	—	(1)	(5,769)	1
Due to other governments.....	(2,787)	—	(3,739)	—	185	—	6	(6,335)	12
Unearned revenue.....	—	(18,370)	197	—	—	—	(15)	(18,188)	—
Self-insurance liabilities.....	(224)	(281)	(486)	—	(1,662)	—	(477)	(3,130)	(269)
Compensated absences.....	—	79	421	—	3,105	—	93	3,698	135
Insurance loss liability.....	—	(88,357)	—	—	—	—	(93)	(88,450)	—
Other postemployment benefit liability.....	(29,149)	(19,123)	(23,027)	—	(187,353)	—	(17,109)	(275,761)	(15,004)
Nonexchange financial guarantees.....	—	—	—	—	—	(1,831)	—	(1,831)	—
Net pension liability.....	(12,046)	(8,293)	(8,475)	—	(78,660)	—	(11,630)	(119,104)	(8,424)
Other current and noncurrent liabilities.....	—	(356)	—	—	—	—	1,427	1,071	—
Deferred inflows.....	21,788	14,855	18,584	—	156,847	—	13,517	225,591	13,950
Total Adjustments.....	5,449,525	(105,106)	(188,830)	15,697	(68,155)	(2,434)	24,378	5,125,075	7,617
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b> .....	<b>\$ (13,600,241)</b>	<b>\$ (90,094)</b>	<b>\$ 56,823</b>	<b>\$ (67,366)</b>	<b>\$ 139,873</b>	<b>\$ (146,323)</b>	<b>\$ 7,113</b>	<b>\$ (13,700,215)</b>	<b>\$ 14,868</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>									
Increase in fair value of investments during the fiscal year.....	\$ —	\$ 105,262	\$ —	\$ 30,286	\$ —	\$ —	\$ 4,829	\$ 140,377	\$ 706
Decrease in investment receivables.....	(14)	(1,064)	(322)	(511)	—	—	(127)	(2,038)	(23)
Increase (decrease) in investment payables.....	(156)	6,380	—	5	(2)	(1)	—	6,226	—
Increase (decrease) in investments from changes in securities lending obligations.....	—	(6,100)	—	140,434	—	—	1,895	136,229	236
Disposals of capital assets.....	—	—	—	—	(6,486)	—	(8,976)	(15,462)	(2,348)
Amortization of bond premium/discount and deferred refunding loss (net).....	(2,463)	—	—	—	—	9,178	(263)	6,452	—
Transfers from other funds (accruals).....	—	—	—	—	—	7,985	—	7,985	—
Transfers to other funds (accruals).....	—	—	—	—	(5,726)	—	—	(5,726)	—
Gain on bond redemptions.....	5,619	—	—	—	—	—	—	5,619	—

There were no other material investing, capital or financing activities that did not result in cash receipts or cash payments during the fiscal year.

- The notes to the financial statements are an integral part of this statement -

**Commonwealth of Pennsylvania**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2020**

(Amounts in thousands)

	Custodial Funds		
	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	External Investment Pool
			INVEST Program for Local Governments Dec. 31, 2019
<b>ASSETS</b>			
Cash—Note 2	\$ 338,505	\$ 19,541	\$ —
Cash with fiscal agents	—	10,045	—
Temporary investments—Note 2	112,954	485,959	826,731
Long-term investments—Note 2	720,806	3,558,929	—
Short-term funds—Note 2	7,652,058	—	—
Corporate obligations—Note 2	5,678,367	—	—
Collective trust funds—Note 2	15,306,859	—	—
Real estate—Note 2	7,592,529	—	—
Alternative—Note 2	18,647,019	—	—
Securities lending collateral—Note 2	4,628,841	—	—
Asset-backed securities—Note 2	1,726,852	—	—
Domestic equities—Note 2	22,744,804	—	—
International equities—Note 2	6,396,076	—	—
International public debt securities—Note 2	466,712	—	—
Mortgage-backed securities—Note 2	359,994	—	—
Private placements—Note 2	574,845	—	—
U.S. Treasury obligations—Note 2	5,232,809	—	—
U.S. government agency debt securities—Note 2	22,680	—	—
Receivables (net):			
Taxes—Note 3	—	107,742	—
Accounts	—	10,064	—
Investment income	543,254	1,182	—
Interest on notes and loans	893	—	6,353
Pension contributions	1,741,895	—	—
Investment sale proceeds	542,987	—	2,229
Other	38,612	—	—
Due from other funds—Note 5	28,457	—	—
Due from pension trust funds—Note 5	801	—	—
Due from component units—Note 5	70,584	—	—
Due from political subdivisions	16,175	—	—
Due from other governments	41,789	—	—
Depreciable or amortizable capital assets:			
Machinery and equipment	13,038	—	—
Intangible assets	43,408	—	—
Less: accumulated depreciation and amortization	(37,263)	—	—
Net depreciable or amortizable capital assets	19,183	—	—
Other assets	—	433,638	—
<b>TOTAL ASSETS</b>	<b>101,247,340</b>	<b>4,627,100</b>	<b>835,313</b>
<b>DEFERRED OUTFLOWS OF RESOURCES—Note 3</b>	<b>25,961</b>	<b>—</b>	<b>—</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	196,111	30,414	72
Investment purchases payable	868,250	653	7,275
Securities lending obligations	4,734,875	793	—
Due to other funds—Note 5	67	—	—
Due to pension trust funds—Note 5	1,640	—	—
Due to political subdivisions	—	159,005	—
Interest payable	—	—	1,306
Other postemployment benefit liability—Note 10	65,748	—	—
Net pension liability—Note 9	70,214	—	—
Other liabilities	662,136	46,541	—
<b>TOTAL LIABILITIES</b>	<b>6,599,041</b>	<b>237,406</b>	<b>8,653</b>
<b>DEFERRED INFLOWS OF RESOURCES—Note 3</b>	<b>64,873</b>	<b>—</b>	<b>—</b>
<b>NET POSITION</b>			
Restricted for:			
Pension benefits	89,686,863	—	—
Postemployment healthcare benefits	1,027,237	—	—
Employee salary deferrals	3,895,287	—	—
INVEST Program participants	—	—	826,660
Tuition Account Investment Program participants	—	3,397,468	—
Beneficiaries	—	992,226	—
<b>TOTAL NET POSITION</b>	<b>\$ 94,609,387</b>	<b>\$ 4,389,694</b>	<b>\$ 826,660</b>

- The notes to the financial statements are an integral part of this statement -

**Commonwealth of Pennsylvania**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	
		Custodial Funds	External Investment Pool INVEST Program for Local Governments Dec. 31, 2019
<b>ADDITIONS:</b>			
Contributions:			
Pension:			
Employer.....	\$ 7,556,458	\$ —	\$ —
Employee.....	2,033,702	—	—
Transfer in from other plans.....	116,993	—	—
Total contributions.....	<u>9,707,153</u>	<u>—</u>	<u>—</u>
Investment earnings:			
Net increase in fair value of investments.....	5,757,917	54,936	—
Interest income.....	770,770	127,203	22,355
Dividend income.....	474,425	—	—
Rental and other income.....	478,468	—	—
Total investment activity income.....	<u>7,481,580</u>	<u>182,139</u>	<u>22,355</u>
Less investment expenses:			
Investment activity expense.....	(695,871)	(942)	(1,033)
Net investment earnings.....	<u>6,785,709</u>	<u>181,197</u>	<u>21,322</u>
Securities lending activities:			
Income.....	86,333	—	—
Expenses.....	(68,699)	—	—
Total securities lending income.....	<u>17,634</u>	<u>—</u>	<u>—</u>
Total net investment income.....	<u>6,803,343</u>	<u>181,197</u>	<u>21,322</u>
Share transactions (at net asset value of \$1.00 per share):			
Shares issued in lieu of cash distributions.....	—	—	18,631
Shares purchased/redeemed (net).....	—	187,005	45,851
Net increase in net position from share transactions.....	<u>—</u>	<u>187,005</u>	<u>64,482</u>
Tax collections for other governments.....	—	1,105,719	—
Member resources.....	—	92,037	—
Other additions.....	—	32,482	—
<b>TOTAL ADDITIONS.....</b>	<u>16,510,496</u>	<u>1,598,440</u>	<u>85,804</u>
<b>DEDUCTIONS:</b>			
Benefit payments.....	11,477,568	—	—
Refunds of contributions.....	49,835	—	—
Transfers to other plans.....	148,107	—	—
Administrative expenses.....	132,568	45,928	—
Payments of taxes to other governments.....	—	1,106,465	—
Distributions to participants.....	52	—	21,323
Member/claimant distributions.....	—	627,801	—
Other expenses.....	4,641	29,923	—
<b>TOTAL DEDUCTIONS.....</b>	<u>11,812,771</u>	<u>1,810,117</u>	<u>21,323</u>
<b>CHANGE IN FIDUCIARY NET POSITION:</b>			
Pension benefits.....	4,002,864	—	—
Postemployment healthcare benefits.....	126,637	—	—
Employee salary deferrals.....	568,224	—	—
INVEST program participants.....	—	—	64,481
Tuition Account Investment Program participants.....	—	327,550	—
Beneficiaries.....	—	(539,227)	—
<b>TOTAL CHANGE IN FIDUCIARY NET POSITION.....</b>	<u>4,697,725</u>	<u>(211,677)</u>	<u>64,481</u>
<b>NET POSITION, JULY 1, 2019 (restated)—Note 18.....</b>	<u>89,911,662</u>	<u>4,601,371</u>	<u>762,179</u>
<b>TOTAL NET POSITION, JUNE 30, 2020.....</b>	<u>\$ 94,609,387</u>	<u>\$ 4,389,694</u>	<u>\$ 826,660</u>

- The notes to the financial statements are an integral part of this statement -

**Commonwealth of Pennsylvania**  
**Statement of Net Position**  
Discretely Presented Component Units  
June 30, 2020

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2020)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
<b>ASSETS</b>							
Current assets:							
Cash—Note 16	\$ 906,330	\$ 679,189	\$ —	\$ 281,912	\$ 261,610	\$ 32,185	\$ 2,161,226
Temporary investments—Note 16	420,241	1,005	645,913	1,302,072	426,969	324,256	3,120,456
Receivables (net):							
Accounts	65,561	—	46,382	242	113,416	3,826	229,427
Investment income	17,115	1,772	7	138	—	81	19,113
Interest on notes and loans	—	17,507	89,002	4,408	—	1,007	111,924
Loans—Note 16	—	114,978	486,186	175,990	4,660	43,160	824,974
Other	—	21,626	—	—	65,362	370	87,358
Due from primary government—Note 5	3,250	—	1	210,387	3,449	—	217,087
Due from component units—Note 5	—	591	—	645	—	—	1,236
Due from Federal Government	—	—	12,617	—	—	3,331	15,948
Inventory	24,685	—	—	—	—	937	25,622
Prepaid expenses	—	—	12,138	—	22,506	2,589	37,233
Other assets	—	1,761	86,398	—	5,772	—	93,931
Total current assets	1,437,182	838,429	1,378,644	1,975,794	903,744	411,742	6,945,535
Noncurrent assets:							
Restricted cash	—	—	—	—	53,479	256	53,735
Long-term investments—Note 16	1,219,940	214,544	—	—	1,302,452	23,265	2,760,201
Receivables (net):							
Loans—Note 16	—	3,381,106	2,936,817	2,465,013	20,517	326,703	9,130,156
Non-depreciable capital assets—Note 16							
Land	425,643	2,454	8,179	—	34,780	1,155	472,211
Construction in progress	1,788,685	—	—	—	109,570	25,410	1,923,665
Depreciable or amortizable capital assets—Note 16							
Land improvements	151,066	—	—	—	335,671	4,140	490,877
Buildings and building improvements	983,739	59,161	73,487	—	3,808,702	795,537	5,720,626
Machinery and equipment	706,803	11,654	46,812	—	541,856	196,311	1,503,436
Turnpike infrastructure	8,946,265	—	—	—	—	—	8,946,265
Library books	—	—	—	—	73,167	384	73,551
Other capital assets	—	—	—	—	—	1	1
Intangible assets	—	—	130,432	—	—	—	130,432
Less: accumulated depreciation and amortization	(6,592,200)	(17,601)	(129,075)	—	(1,983,213)	(439,464)	(9,161,553)
Net depreciable or amortizable capital assets	4,195,673	53,214	121,656	—	2,776,183	556,909	7,703,635
Other assets	32,521	12,717	—	—	168,051	4,400	217,689
Total noncurrent assets	7,662,462	3,664,035	3,066,652	2,465,013	4,465,032	938,098	22,261,292
<b>TOTAL ASSETS</b>	<b>9,099,644</b>	<b>4,502,464</b>	<b>4,445,296</b>	<b>4,440,807</b>	<b>5,368,776</b>	<b>1,349,840</b>	<b>29,206,827</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 16</b>	<b>633,160</b>	<b>40,061</b>	<b>91,979</b>	<b>1,678</b>	<b>224,637</b>	<b>18,153</b>	<b>1,009,668</b>

**Commonwealth of Pennsylvania**  
**Statement of Net Position**  
Discretely Presented Component Units  
June 30, 2020

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2020)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued liabilities	210,109	2,153	103,142	1,556	312,025	16,968	645,953
Securities lending obligations	—	—	—	13,825	—	378	14,203
Due to primary government—Note 5	—	—	56	14,743	1,856	5,758	22,413
Due to component units—Note 5	—	649	—	591	—	—	1,240
Due to other governments	—	—	—	947	—	2	949
Interest payable	293,597	22,735	1,800	—	—	2,042	320,174
Unearned revenue	90,369	—	49	—	78,006	1,970	170,394
Notes payable—Note 16	—	4,158	84,065	30,356	—	—	118,579
Bonds Payable—Note 16	—	—	—	6,980	66,595	—	73,575
Revenue bonds payable—Note 16	573,880	86,260	47	—	—	21,195	681,382
Capital lease/installment purchase obligations	—	—	—	—	6,800	13	6,813
Self-insurance liabilities	3,972	—	—	—	4,098	—	8,070
Compensated absences	9,562	—	—	131	18,728	652	29,073
Other financing obligations—Note 16	—	—	448	—	—	140	588
Other postemployment benefit liability—Note 16	—	—	—	169	55,817	1,345	57,331
Other liabilities	—	185,406	86,398	—	223,920	3	495,727
Total current liabilities	1,181,489	301,361	276,005	69,298	767,845	50,466	2,646,464
Noncurrent liabilities:							
Due to primary government—Note 5	—	—	—	127,985	—	1,800	129,785
Unearned revenue	522	—	—	—	616	—	1,138
Student loan auction rate security bonds payable—Note 16	—	—	8,000	—	—	—	8,000
Notes payable—Note 16	—	36,154	3,151,513	—	—	—	3,187,667
Bonds Payable—Note 16	—	—	—	—	2,052,865	—	2,052,865
Revenue bonds payable—Note 16	14,383,020	2,938,867	—	101,840	—	88,377	17,512,104
Capital lease/installment purchase obligations	—	—	—	—	140,184	25	140,209
Other financing obligations—Note 16	—	—	8,015	—	—	2,467	10,482
Compensated absences	7,824	—	13,488	688	124,673	3,021	149,694
Self-insurance liabilities	34,816	—	—	—	17,676	—	52,492
Other postemployment benefit liability—Note 16	1,845	95,358	218,891	3,677	1,682,524	28,382	2,030,677
Net pension liability—Note 9, 16	329,189	22,670	352,470	7,134	955,901	28,623	1,695,987
Other liabilities	312,499	329,521	—	—	117,712	122	759,854
Total noncurrent liabilities	15,069,715	3,422,570	3,752,377	241,324	5,092,151	152,817	27,730,954
<b>TOTAL LIABILITIES</b>	<b>16,251,204</b>	<b>3,723,931</b>	<b>4,028,382</b>	<b>310,622</b>	<b>5,859,996</b>	<b>203,283</b>	<b>30,377,418</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
<b>TOTAL DEFERRED INFLOWS OF RESOURCES—Note 16</b>	<b>172,748</b>	<b>31,201</b>	<b>282,668</b>	<b>4,404</b>	<b>773,717</b>	<b>29,032</b>	<b>1,293,770</b>
<b>NET POSITION</b>							
Net investment in capital assets	(903,089)	20,668	129,835	—	895,905	580,829	724,148
Restricted for:							
Capital projects	411,313	—	—	4,127,459	35,342	—	4,574,114
Debt service	42,619	135,509	368,031	—	—	51,151	597,310
Economic development	—	—	—	—	—	109,816	109,816
Higher education	—	—	42,418	—	587,871	—	630,289
Other purposes	—	631,216	—	—	—	27,574	658,790
Unrestricted	(6,241,991)	—	(314,059)	—	(2,559,418)	366,308	(8,749,160)
<b>TOTAL NET POSITION</b>	<b>\$ (6,691,148)</b>	<b>\$ 787,393</b>	<b>\$ 226,225</b>	<b>\$ 4,127,459</b>	<b>\$ (1,040,300)</b>	<b>\$ 1,135,678</b>	<b>\$ (1,454,693)</b>

- The notes to the financial statements are an integral part of this statement -

**Commonwealth of Pennsylvania**

**Statement of Activities**

Discretely Presented Component Units

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	<b>Pennsylvania Turnpike Commission (May 31, 2020)</b>	<b>Pennsylvania Housing Finance Agency</b>	<b>Pennsylvania Higher Education Assistance Agency</b>	<b>Pennsylvania Infrastructure Investment Authority</b>	<b>State System of Higher Education</b>	<b>Nonmajor Discretely Presented Component Units</b>	<b>Total</b>
Expenses.....	\$ 2,019,214	\$ 666,833	\$ 920,714	\$ 75,195	\$ 2,360,673	\$ 157,415	\$ 6,200,044
Program revenues:							
Charges for goods and services.....	1,283,783	196,636	570,901	36,516	1,316,679	33,884	3,438,399
Operating grants and contributions.....	113,038	485,009	401,594	106,469	1,048,482	124,719	2,279,311
Capital grants and contributions.....	173,486	—	—	86,249	6,253	34,556	300,544
<b>TOTAL PROGRAM REVENUES</b> .....	<b>1,570,307</b>	<b>681,645</b>	<b>972,495</b>	<b>229,234</b>	<b>2,371,414</b>	<b>193,159</b>	<b>6,018,254</b>
<b>CHANGE IN NET POSITION</b> .....	<b>(448,907)</b>	<b>14,812</b>	<b>51,781</b>	<b>154,039</b>	<b>10,741</b>	<b>35,744</b>	<b>(181,790)</b>
<b>TOTAL NET POSITION, JULY 1, 2019</b> .....	<b>(6,242,241)</b>	<b>772,581</b>	<b>174,444</b>	<b>3,973,420</b>	<b>(1,051,041)</b>	<b>1,099,934</b>	<b>(1,272,903)</b>
<b>TOTAL NET POSITION, JUNE 30, 2020</b> .....	<b>\$ (6,691,148)</b>	<b>\$ 787,393</b>	<b>\$ 226,225</b>	<b>\$ 4,127,459</b>	<b>\$ (1,040,300)</b>	<b>\$ 1,135,678</b>	<b>\$ (1,454,693)</b>

- The notes to the financial statements are an integral part of this statement -

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Presentation**

The basic financial statements of the Commonwealth of Pennsylvania (the Commonwealth) have been prepared in accordance with accounting principles generally accepted in the United States applicable to governments. The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting requirements for governments. There may be rounding differences between amounts reported in the basic financial statements section and amounts reported in other sections of the Comprehensive Annual Financial Report (CAFR). Also note, all amounts in the CAFR are stated in thousands unless otherwise indicated.

**Government-wide Financial Statements**

Government-wide financial statements report the financial position and results of activities for the Commonwealth as a whole, except for its fiduciary activities. Separate columns are presented for governmental and business-type activities within the primary government (PG) and discretely presented component units (DPCU). The statement of net position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources for the primary government of the Commonwealth. The statement of activities reports the total cost of providing governmental services, by function, net of related program revenues; and after including general revenues, reports whether the total net position of the government increased or decreased during the fiscal year ended June 30, 2020. The government-wide financial statements do not include any fiduciary fund assets, liabilities or activities for the primary government or component units (CU) that are fiduciary in nature because they are held for the benefit of others and are not available to address activities or obligations of the PG. Governmental activities within government-wide financial statements include specific balances and transactions related to internal service funds that are reported as proprietary funds in fund financial statements. Business-type activities include information for all enterprise funds and two blended CUs.

**Financial Reporting Entity**

The basic financial statements include all funds of the PG, which for reporting purposes represents the Commonwealth, as well as the CUs determined to be included in the Commonwealth's financial reporting entity. A fund is a self-balancing set of accounts, segregated for specific purposes. A CU is a legally separate organization, the activity of which must be included in the Commonwealth's reporting entity.

The basic financial statements include the government-wide financial statements and fund financial statements. The fund financial statements present governmental, proprietary and fiduciary financial statements. Reconciliation between the governmental fund financial statements and the governmental activities column of the government-wide financial statements is presented since a different measurement focus and basis of accounting is used. The reconciliation explains the adjustments required to convert the fund-level financial statements to the government-wide financial statements.

School districts, local governments, counties and numerous authorities are considered separate, stand-alone primary governments or organizations. Although these organizations may receive significant PG operating and/or capital subsidies, they have been excluded from the financial reporting entity because they are governed by popularly-elected officials or appointees and are not fiscally dependent on the PG. The PG provides significant subsidies and appoints a portion, but not a voting majority, of the governing boards at the following four universities (commonly referred to as state related): Pennsylvania State University, University of Pittsburgh, Lincoln University and Temple University. However, given the absence of PG appointment of a governing board voting majority and the lack of fiscal dependency, these universities are excluded from the financial reporting entity.

**Primary Government**

For financial reporting purposes, the Commonwealth is a primary government. The PG includes all publicly elected members of the executive, legislative, and judicial branches of the Commonwealth. The PG also includes all Commonwealth departments, agencies, boards, and organizations that are not legally separate.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Component Units**

CUs are legally separate organizations for which the Commonwealth is either financially accountable or the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. CUs are reported either discretely as an aggregated separate column in the government-wide financial statements or blended in both the government-wide and fund financial statements as if they were funds of the PG. The decision to include and how to report a CU in the Commonwealth's reporting entity is based on several criteria, including legal standing, debt responsibility, fiscal dependency, and financial accountability. The Commonwealth reports twenty-one CUs, seventeen of which are reported as DPCUs, two as CU fiduciary funds and two as blended CUs. The financial information for the DPCUs reported in the aggregate in the government-wide financial statements are presented separately in the combining financial statements section of the CAFR. CUs classified as fiduciary funds are aggregated in the pension (and other employee benefit) trust funds column in the fund financial statements.

More detailed information for the individual CUs is available from the CUs' separately issued financial statements available by writing to the Commonwealth's Chief Accounting Officer, 555 Walnut Street, Ninth Floor, Harrisburg, PA 17101-1921. The following paragraphs are a brief description of the Commonwealth's CUs. Note 16 and the combining financial statements contain additional DPCU information.

**Blended Component Units**

A blended CU is an entity that functions as an integral part of the PG and as a result the entity's financial data is blended with the financial data of the PG. The following two entities are reported as blended CUs because the total debt of the CUs are expected to be repaid entirely or almost entirely with resources of the PG.

**Commonwealth Financing Authority (CFA)** - The CFA administers and funds economic stimulus programs. The programs offer financial assistance through loans, grants, guarantees, sales, leases, investments, lines and letters of credit, and other authorized financial arrangements. The CFA is authorized to issue limited obligation revenue bonds and other types of limited obligation revenue financing. The PG appoints all seven voting members of the Board of Directors, four by appointment, whom may be removed at will, and three ex-officio board members, the Secretary of Community and Economic Development, Secretary of the Budget, and Secretary of Banking and Securities. A Service Agreement entered into by the CFA and the Department of Community and Economic Development (DCED), a PG agency, in 2005 states that the DCED shall request annual appropriations from the General Assembly in amounts necessary to pay the debt service requirements of the CFA. CFA's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the PG.

**Philadelphia Regional Port Authority (PRPA)** - The PRPA operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania. The PRPA charges rental and other fees to port users and obtains funding from the PG. The PRPA also issues revenue bonds to finance its activities. The Governor must approve the issuance of its debt. The PG appoints all eleven voting board members and can remove board members at will. The PG provides operating and capital subsidies and pays rent in amounts equal to PRPA debt service requirements. The PRPA's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the PG.

**Fiduciary Fund Component Units**

A fiduciary fund CU is an entity that functions as an integral part of the PG but because the funds are held for the benefit of others and are not available to address activities or obligations of the PG, they are reported separately throughout this financial report.

**State Employees' Retirement System (SERS)** - The SERS is a public employee retirement system that provides retirement benefits to Commonwealth employees. The PG appoints all voting board members and, on a very limited basis, imposes its will on the SERS. The PG makes essentially all employer contributions to the SERS; PG employees make almost all of the employee contributions to the SERS (virtually all PG employees are required to join the SERS). The PG is responsible for substantially all of the SERS pension obligations. The SERS provides services and benefits almost exclusively to the PG. The SERS administers a defined benefit plan, defined contribution plan and a deferred compensation plan. Act 5 of 2017 established the defined contribution plan and provided two new side-by-side hybrid defined benefit/defined contribution

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

benefit options and a new defined contribution only option for all Commonwealth employees, excluding most hazardous duty employees, who first enter SERS membership on or after January 1, 2019. The defined benefit plan and the defined contribution plan are funded through a combination of employee contributions, employer contributions and investment earnings. The deferred compensation plan is funded by voluntary employee contributions and investment earnings. The SERS is reported for its fiscal year ended December 31, 2019.

*Public School Employees' Retirement System (PSERS)* - The PSERS was created to administer and provide retirement benefits to public school employees in Pennsylvania. The PSERS covers almost all such employees. Covered elementary and secondary school employers make employer contributions, with the PG reimbursing each employer at least half their required annual contribution. Employer contributions for covered employees of higher education institutions and state-owned schools are shared equally by covered employers and the PG; all covered public school employees also contribute. The PSERS administers a defined benefit plan and defined contribution plan. Act 5 of 2017 established the defined contribution plan and provided two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution only option for all new employees who enter PSERS membership on or after July 1, 2019. The PG appoints eight of fifteen voting board members; the seven other members are appointed by active or retired public school employees or are appointed by public school boards. In addition to making significant contributions as a governmental nonemployer contributing entity for the PSERS plan, the PG guarantees the payment of all annuities and other pension benefits. This represents a compelling PG financial burden.

**Discretely Presented Component Units**

DPCUs are legally separate organizations for which the elected officials of the PG are financially accountable. In addition, DPCUs can be other organizations of which the nature and significance of their relationship with the PG is such that exclusion of these organizations from the PG's financial statements would be misleading. DPCUs do not function as an integral part of the PG and therefore are presented in separate (discrete) columns.

*Pennsylvania Turnpike Commission (PTC)* - The PTC was created to construct, maintain, and operate a turnpike system in the Commonwealth. Activities are financed through user tolls and the issuance of revenue bonds. Debt service payments are funded through user tolls. The PTC works closely with the Department of Transportation. The PG appoints all voting board members. When all the PTC bondholders have been satisfied, the PTC assets revert to the Department of Transportation, which represents a financial benefit to the PG. The Governor must approve the issuance of all PTC debt, by which the PG can impose its will. The PG is not obligated for all PTC debt, but the PG could take certain actions to satisfy bondholders. Note 14 to the Financial Statements provides information related to the Commonwealth's contingent liability for certain PTC debt at fiscal year-end. The PTC is reported for its fiscal year ended May 31, 2020.

*Pennsylvania Housing Finance Agency (PHFA)* - The PHFA makes loans to eligible individuals and organizations to purchase or construct housing. The loans benefit older adults, persons with disabilities, and low- and moderate-income individuals and families. The PG appoints all voting board members. The Secretary of Banking and Securities, the Secretary of Community and Economic Development, the Secretary of Human Services, and the State Treasurer serve as ex-officio members. The Governor is required to request an appropriation from the General Assembly for the PHFA whenever a deficiency exists in the capital reserve account or if additional funds are needed to avoid a default on the PHFA debt. This moral obligation represents a financial burden to the PG. The PHFA is fiscally dependent on the PG, as the Governor must approve the issuance of its debt.

*Pennsylvania Higher Education Assistance Agency (PHEAA)* - The PHEAA makes grants and loans to students to help fund the cost of higher education. Through June 30, 2020, lending institutions and post-secondary schools were involved in the loan program. The PG funds the PHEAA grant program; the PHEAA issues revenue bonds to fund the student loan program. Revenue bonds are repaid from student loan repayments. The PHEAA also services student loan portfolios for lending institutions and the Federal Government. The PG appoints all twenty voting board members. A significant PG financial burden exists through subsidizing the PHEAA grant program; also, although the PG is not obligated for the PHEAA revenue bonds, the PG could take certain actions to satisfy bondholders. The PHEAA is fiscally dependent, as the Governor must approve the issuance of its debt.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Pennsylvania Infrastructure Investment Authority (PENNVEST)* - The PENNVEST makes grants and low-interest loans to local governments and authorities, businesses, and nonprofit organizations for the construction, improvement, repair or rehabilitation of drinking and waste water systems. The PENNVEST obtains funds through Commonwealth general obligation bond proceeds (approved by referendum), revenue bonds, the Federal Government, and contributed amounts from Commonwealth funds. Loan repayments finance the PENNVEST debt service costs. The PENNVEST operates closely with the Department of Environmental Protection. The PG appoints all voting board members. By issuing general obligation debt and providing the proceeds to PENNVEST as capital contributions, a significant financial burden exists. The PG is not obligated for the PENNVEST debt, but the PG could take certain actions to satisfy bondholders. Upon dissolution, the assets of the PENNVEST revert to the Commonwealth.

*State System of Higher Education (SSHE)* - The SSHE was created to provide instruction for postsecondary students. The SSHE is composed of fourteen universities and an administrative headquarters. Resources are provided by student tuition, grants, and PG subsidies. The PG appoints all twenty voting board members, which in turn appoint the university presidents and chancellor. Five of the appointments must be trustees of universities; three must be students. The PG provides significant operating and capital subsidies to the SSHE which creates a significant financial burden. The PG is not obligated for the SSHE debt, but the PG could take certain actions to satisfy bondholders.

*State Public School Building Authority (SPSBA) and Pennsylvania Higher Educational Facilities Authority (PHEFA)* - The SPSBA and the PHEFA issue limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for school districts and public/private colleges and universities. Neither the PG nor the Authorities are obligated for debt service payments, these bonds are repaid solely from lease/loan payments from the schools. All nine voting members of the SPSBA and the PHEFA governing boards are PG's high ranking officials being ex-officio board members by virtue of their position. The PG's Department of Education approves the SPSBA's projects, which indicates imposition of will.

*Ben Franklin Technology Development Authority (BFTDA)* - The BFTDA encourages and coordinates programs and investments which advance the competitiveness of Commonwealth companies in the global economy. The BFTDA, staffed by the Department of Community and Economic Development (DCED), provides vital seed capital, technology commercialization and entrepreneurial support services to the technology sector of the Commonwealth's economy. The PG appoints all twenty-one voting members of the governing board. The PG also provides funding on an annual basis, which is a financial burden to the PG.

*Port of Pittsburgh Commission (PPC)* - The PPC promotes economic development throughout waterways in southwestern Pennsylvania by constructing and/or financing transportation and recreation facilities. The PG appoints all fifteen voting members of the governing board and can impose its will by removing board members at will. The PG provides funding for the PPC, but is not required to do so.

*Philadelphia Shipyard Development Corporation (PSDC)* - The PSDC was created as a nonprofit corporation to assist the PG and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The PG appoints the majority of the governing board by appointing three of five voting board members. The PG also provides a significant portion of funding for the PSDC, which is a financial burden to the PG. The PSDC obtains funding from the PG and a variety of other governmental sources to fund development, construction, and job recruitment and training costs. The PSDC is reported for its fiscal year ended December 31, 2019.

*Pennsylvania Industrial Development Authority (PIDA)* - The PIDA was created to provide employment opportunities throughout the Commonwealth by attracting businesses and investors to the Commonwealth and retaining existing businesses. The PIDA provides low interest rate loans to prospective and existing businesses focusing on areas of the Commonwealth where unemployment rates are the highest. Loans are made at lower-than-market interest rates; the interest rates are based on local unemployment and other economic conditions. The PIDA issues revenue bonds to finance the loan program. Loan repayments are used for debt service payments. The PIDA works closely with the Department of Community and Economic Development. The PG appoints all voting board members. The PG has provided capital contributions and "excess" PIDA funds are transferred to the **General Fund**, which represents a financial burden and benefit to the PG. The PG is not obligated for the PIDA debt, but the PG could take certain actions to satisfy bondholders.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Thaddeus Stevens College of Technology (College)* - The College is governed by a Board of Directors that is a body politic and corporate constituting a public corporation, making the College an entity legally separate from the PG. The Governor, with the advice of the Senate, appoints nine of the ten voting Board members, and the Secretary of Education serves as an ex-officio member. The PG has some ability to influence the structure and/or content of the College's budget through overview of the Department of Education. The College presents a financial burden to the PG, as the PG appropriates funds for College operations.

*Pennsylvania Convention Center Authority (PCCA)* - The PCCA was created to operate the Pennsylvania Convention Center located in the City of Philadelphia. The PG may impose its will because it has final approval authority over the PCCA operating and capital budgets and the PCCA may not incur debt without the prior written approval of the PG. The PG financed a portion of the PCCA facility in prior fiscal years and during the fiscal year ended June 30, 2020, as well as paying other periodic amounts to the PCCA, thus there is a financial burden on the PG.

*Pennsylvania Economic Development Financing Authority (PEDFA)* - The PEDFA was created to lend money primarily to businesses to promote economic development in the Commonwealth. The PEDFA issues revenue bonds to fund specific projects and repayments are derived solely from project revenues. The debt is considered non-recourse, as the PEDFA is not obligated to bondholders beyond amounts received by the Authority from the funded projects. Financial statement information for the PEDFA is not reported because the majority of the activity involves conduit debt. The PG appoints eleven of the sixteen board members and five members are ex-officio. The PG is not obligated for the PEDFA debt, but the PG could take certain actions to satisfy bondholders. Upon dissolution, the assets of PEDFA revert to the Commonwealth. Although the PEDFA issues only conduit debt and therefore there is no direct financial benefit or burden attributable to the PG, the ultimate purpose of the PEDFA is to benefit the PG by supporting and growing the tax base of the PG through economic development loans. Therefore, because the PG is the ultimate beneficiary of the growing tax base, provides all management and administrative services to the PEDFA, as well as appoints the entire board, it would be misleading to exclude the PEDFA from the CAFR.

*Pennsylvania Energy Development Authority (PEDA)* - The PEDA was created to promote the development of energy sources within the Commonwealth. PEDA has two distinct functions: (1) the issuance of non-recourse debt and (2) the management of the Energy Development Fund. The Energy Development Fund is reported as an activity of the PEDA. The non-recourse debt that was previously issued by PEDA has been satisfied. The PG appoints thirteen of the nineteen board members and six members are ex-officio. The Governor must approve the issuance of PEDA debt. By legislative authority, the PEDA is required to take action to deposit excess moneys into the Commonwealth's **General Fund** and that the PEDA may requisition moneys in the amounts necessary to pay administrative costs, which results in a financial benefit and burden to the PG.

*Pennsylvania Health Insurance Exchange Authority (PHIEA)* - The PHIEA was created to design and oversee the Pennsylvania Health Insurance Exchange (Exchange) authorized by Act 42 of 2019. The Exchange's purpose is to facilitate the purchase of qualified health insurance policies for Commonwealth residents, and will be funded primarily through the assessment of fees from the exchange insurers. The PG appoints all eleven board members, with three members being ex-officio, and may also remove appointed board members at will. In addition to overseeing the exchange, PHIEA provides financial support to the Pennsylvania Insurance Department's reinsurance fund via a portion of the exchange's user fees, which results in a financial benefit to the PG.

*Pennsylvania Rural Health Redesign Center Authority (PHRCA)* - The PHRCA was established by Act 108 of 2019 to protect and promote access for Commonwealth residents to high-quality healthcare in rural communities. The PHRCA in partnership with the Pennsylvania Department of Health (DOH) will develop and maintain a global budget model for participating rural hospitals and insurance providers designed to reduce costs while maintaining access to care. The PHRCA's board consists of 1 voting member appointed per participating insurer and an equal number of voting members appointed by the participating hospitals. Additionally, the PG appoints 9 voting members including the chair. The PHRCA funding is provided through DOH grants from the federal Centers for Medicare and Medicaid Services and financial support through loans and other financial assistance by the DOH. Although the PG does not appoint a majority of board members, the PG demonstrates significant influence through its 9 board members, the financial assistance provided, and the ongoing collaboration with DOH. As such, it would be misleading to exclude from the Commonwealth's financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Related Organizations**

Related organizations are legally separate, fiscally independent entities for which the Commonwealth appoints a voting majority of the board, but the Commonwealth is not financially accountable for the entity.

*The Philadelphia Parking Authority (Authority)* is financially reported as a DPCU unit in the City of Philadelphia's financial reporting entity. Act 22 of 2001 provided, in part, for the Commonwealth to appoint a voting majority of the Authority's governing board.

*The Philadelphia School District (School District)* is financially reported as a DPCU in the City of Philadelphia's (City) financial reporting entity. During 2001, the General Assembly passed Senate Bill 640 amending Act 46 of 1999, providing for several changes to the Public School Code. Among other things, the changes provide for the Commonwealth to appoint a voting majority of the School Reform Commission that now governs the School District. Despite these changes, the School District remains fiscally dependent on the City.

*Patient Safety Authority* is charged with taking steps to reduce and eliminate medical errors by identifying problems and recommending solutions that promote patient safety in hospitals, ambulatory surgical facilities, and birthing centers. The PG appoints all eleven members of the Board; the Pennsylvania Physician General, who serves as the Board chair, six members appointed by the Governor representing specific professional occupations, and four members appointed by the General Assembly. Although the Pennsylvania Department of Health approves the recommendations that will be adopted, the approval is not substantive.

*Insurance Fraud Prevention Authority (IFPA)* assists in the prevention, discovery, investigation, and prosecution of insurance fraud. The IFPA is funded through assessments paid by the insurance industry and through certain criminal and civil fines, penalties, and awards. The PG appoints six of seven voting members of the IFPA governing board; the Attorney General serves ex-officio as one of these six members. Through a contract (exchange transaction) a significant portion of IFPA expenditures funds the Section on Insurance Fraud in the Office of Attorney General.

**Joint Venture**

A joint venture is a legal entity that results from a contractual arrangement owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. Joint control means no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. The purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services. The Pennsylvania Employees Benefit Trust Fund is the only joint venture in which the Commonwealth participates.

*The Pennsylvania Employees Benefit Trust Fund (PEBTF)* was created by the Commonwealth, through its Office of Administration, using a contractual agreement with various Commonwealth employee labor unions. The PEBTF establishes and provides active Commonwealth employee healthcare benefits and is the Commonwealth's third-party administrator for the Commonwealth's retiree healthcare programs. A governing board administers the PEBTF; one-half of the board is appointed by the Commonwealth and one-half is appointed by the various unions. Neither the Commonwealth nor the unions control the governing board or the PEBTF; administration is jointly and equally shared. The Commonwealth and certain of its employees pay for the cost of providing benefits. Contribution amounts are based on the terms contained in collective bargaining agreements. Employee unions are not financially responsible for making contributions. Neither the Commonwealth nor the employee unions have an equity interest or any ongoing financial interest in the PEBTF. Aside from its obligation to make periodic, established contributions, the Commonwealth is not responsible for any obligations of the PEBTF.

**Primary Government - Fund Structure**

**Fund Accounting:** In governmental accounting, a fund is defined as an independent fiscal and accounting entity, with a self-balancing set of accounts, recording cash and/or other resources together with all related liabilities and equities. The purpose

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

of a fund is for carrying on specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations. In the Commonwealth, funds are established by legislative enactment or, in certain rare cases, by administrative action.

The Commonwealth transactions are recorded in three fund types: governmental, proprietary and fiduciary funds. In addition, within each fund type there are various categories of funds. The governmental funds include two funds that qualify as major funds and the proprietary funds include six funds that qualify as major funds. Major funds are displayed in bold print in the Notes to the Financial Statements.

**Governmental Funds**

Governmental funds focus on the sources and uses of funds. Included in the governmental fund financial statements are general, special revenue, debt service, and capital project funds.

The **General Fund** is the Commonwealth's main operating fund. The **General Fund** accounts for all financial resources except those required to be accounted for in another fund.

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The **Motor License Fund**, one of several special revenue funds, is the only special revenue fund reported as a major fund.

The **Motor License Fund**, a major fund, receives revenues from liquid fuels taxes, licenses and fees on motor vehicle registrations and operating privileges, aviation fuel taxes, federal aid for highway and aviation purposes, contributions from local subdivisions for highway projects, and other miscellaneous highway revenues. The **Motor License Fund** makes expenditures for highway and bridge improvement, design, maintenance, and purchases of rights-of-way, as well as aviation activities and transportation licensing and safety activities. It also finances State Police highway patrol operations and pays subsidies to local subdivisions for construction and maintenance of roads.

Debt service funds account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. There are no major debt service funds.

Capital projects funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. There are no major capital projects funds.

**Proprietary Funds**

The Proprietary funds are used to account for activities that receive significant support from fees and charges. They focus on determining operating income, changes in financial position and cash flows. Generally accepted accounting principles, similar to those used by private sector businesses, are applied in accounting for these funds. Included in proprietary fund financial statements are enterprise funds and internal service funds.

Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met:

- The activity is financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity;
- Laws or regulations require the activity's costs of providing services, including capital costs (such as depreciation, amortization or debt service), be recovered with fees and charges; or
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The **State Lottery Fund**, **State Workers' Insurance Fund**, **Unemployment Compensation Fund**, **State Stores Fund**, **Tuition Payment Fund**, and **Commonwealth Financing Authority** are enterprise funds reported as major funds.

The **State Lottery Fund** provides for the operation of the Pennsylvania State Lottery and for programs to support older Pennsylvanians. Revenues are derived from the sale of lottery tickets, interest earned on securities and deposits, unclaimed prize monies, and federal grants. Fund expenses pay for prizes to holders of winning lottery tickets and commissions to local lottery agents. Amounts remaining after payment of lottery prizes and commissions are used to fund programs benefiting older Pennsylvanians including PENNCARE, PACE, PACENET, free mass transit and reduced fare shared-ride programs, and property tax and rent rebates.

The **State Workers' Insurance Fund (SWIF)** was created by legislation on June 2, 1915 and operates within the Department of Labor and Industry. It is a self-sustaining fund providing workers' compensation insurance to employers, including those who are refused policies by private insurance firms. The **SWIF** is subject to underwriting rules, classifications, and rates promulgated by rating bureaus authorized by the Commonwealth Insurance Commissioner. Premium rates are established by the bureaus based on the history of accidents by industry classification. Revenues are generated by premiums charged to policyholders plus investment income. Workers' compensation payments and administration costs are paid from the **SWIF**. The **SWIF** is reported for its fiscal year ended December 31, 2019.

The **Unemployment Compensation (UC) Fund** is comprised of four basic components: the Employer Contribution Fund, the UC Benefit Payment Fund, the Special Administration Fund, and the UC Trust Fund. The purpose of these funds is to collect employer assessments for unemployment compensation and transfer the assessments to the Federal Government for deposit in the UC Trust Fund. As needed, these funds are drawn back to pay unemployment compensation payments to claimants.

The **State Stores Fund** accounts for the general operations of the Pennsylvania Liquor Control Board. Revenue is derived primarily from the sale of wine and spirits. Expenses include all costs associated with the operation and administration of the liquor store system and enforcement of the Liquor Control Law.

The **Tuition Payment Fund** offers a college savings program allowing participants to purchase college credits at the current year rates. The program is administered by the Tuition Account Program Bureau within the Treasury Department with oversight by the Tuition Account Program Advisory Board. Revenue is derived primarily from application fees, participant contributions, and investment income. Fund expenses consist mainly of payments to educational institutions and administrative costs.

The **Commonwealth Financing Authority (CFA)** is a blended CU. Please see the aforementioned description for the **CFA**.

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Commonwealth, or to other governmental units, on a cost-reimbursement basis.

The Purchasing Fund is used to purchase materials, supplies, services, and equipment for use by departments, agencies, boards, and commissions of state government, and to pay costs associated with administering the Purchasing Fund. The Purchasing Fund receives reimbursements from the various Commonwealth departments, boards, and commissions for the materials, services, and supplies provided. Also, the Purchasing Fund receives proceeds from the sale of vehicles and unserviceable property as well as from investment income.

The Manufacturing Fund uses inmate labor to produce items for the Department of Corrections and other Commonwealth agencies. The revenue source is the sale of items produced or services provided. Expenses include raw materials, inmate labor, and general and administrative costs.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Fiduciary Funds**

Fiduciary funds are used to account for resources that a government holds as a trustee or custodian on behalf of an outside party and that cannot be used to support that government's own programs.

Trust and custodial funds account for assets held in a trustee capacity or as a custodian for third party beneficiaries, such as individuals, private organizations, other governmental units. Funds are classified as pension (and other employee benefit) trust funds, investment trust funds private purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. With the exception of employee benefit trust funds, fiduciary fund resources may not be derived from Commonwealth revenues and other resources. The Commonwealth reports pension and other employee benefit trust funds and custodial funds.

The State Employees' Retirement System (SERS)-Pension, a defined benefit pension trust fund, accounts for the payment of retirement, disability, and death benefits to members of the SERS and their beneficiaries. The Deferred Compensation Fund is a pension trust fund that collects and administers amounts contributed by Commonwealth employees who defer a portion of their income until future years, in accordance with Internal Revenue Code Section 457. The SERS-Defined Contribution, a defined contribution pension trust fund, administered by the SERS, was established by Act 5 of 2017 to provide defined contribution retirement benefits to new members of the SERS effective January 1, 2019. The SERS-Pension, SERS-Defined Contribution and the Deferred Compensation Fund are reported for their fiscal years ended December 31, 2019.

The Public School Employees' Retirement System (PSERS)-Pension, a defined benefit pension trust fund, was created to administer and provide pension benefits to public school employees in Pennsylvania. The PSERS-Defined Contribution, a defined contribution pension trust fund, administered by the PSERS, was established by Act 5 of 2017 to provide defined contribution retirement benefits to new public school employees effective July 1, 2019.

The INVEST Program for Local Governments is an external investment pool, not held in trust, reported as a custodial fund that invests amounts owned by local governments, school districts, and not for profit entities. The INVEST Program for Local Governments is reported for its fiscal year ended December 31, 2019. Audited financial statements for that Program are available through the Chief Accounting Officer.

The Tuition Account Investment Program is a custodial fund that invests amounts on behalf of participants who are saving for college tuition costs. Audited financial statements for that Program are available through the Chief Accounting Officer.

The Monetary Penalty Endowments Trust Fund, a custodial fund, was established in accordance with Act 1 of 2013 to account for the monetary penalty payments from the Pennsylvania State University.

The Statutory Liquidator Fund, the largest custodial fund, converts the remaining assets of insolvent insurance companies to cash for remittance to policyholders, creditors, and stockholders. The order of distribution of the assets is established in Article V of the Pennsylvania Insurance Department Act of 1921 and on a Commonwealth Court approved percentage of claim basis. Although not yet determined, the actual amounts to be paid based on the amount of the remaining assets are expected to be less than the amounts actually claimed by creditors, policyholders, and stockholders.

The Custodial Accounts, a custodial fund, represents the combined resources held by the Department of Corrections for prison inmates, the Department of Human Services for residents of state health facilities, and the Department of Military and Veteran affairs for the residents of veteran long-term living facilities.

The Sales and Use Tax Fund, the Allegheny Regional Asset District Sales and Use Tax Fund, the PA Intergovernmental Cooperation Authority Tax Fund, and the Local Cigarette Tax Fund serve to collect and distribute local sales taxes to the appropriate local taxing authority for the convenience of taxpayers. These funds are reported as custodial funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Measurement Focus and Basis of Accounting - Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. This means that the statement of net position reports all assets (including capital assets, such as heavy trucks, highways, and bridges), all liabilities regardless of when payment is due and all deferred inflows and outflows of resources. The statement of activities includes all revenues and expenses (regardless of when cash is respectively received or paid). The statement of activities reports program revenues, which are revenues derived directly from a specific governmental function and are reported by the function, which generates the revenue. Charges for goods or services, most investment income, grant revenues, and fines are reported as program revenues. Neither program revenues nor expenses are reported for donated works of art, historical treasures or similar assets received during the fiscal year because such donations are not material. All tax revenues, except for unemployment compensation tax revenues which are reported as charges for sales and services program revenues, are classified as general revenues in the statement of activities. The statement of activities also reports governmental activities expenses that include governmental fund expenditures (those which are not eliminated or reclassified) and current year depreciation on capital assets, which recognizes the cost of ordinary use of the assets over their estimated useful lives. The costs of most employee benefits earned during the fiscal year (such as vacation time earned) and increases in self-insurance liabilities are also reported as expenses in the statement of activities when incurred, regardless of when the benefits are used or the liabilities are paid.

**Measurement Focus and Basis of Accounting - Fund Financial Statements****Governmental Funds**

The **General Fund**, special revenue funds, debt service funds, and capital project funds (governmental funds) are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this measurement focus, current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are presented on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues of governmental funds are recognized in the year that they become susceptible to accrual (both measurable and available to pay current fiscal year liabilities). The Commonwealth accrues the following major revenue sources that are both measurable and available (available is defined as being received within 60 days of fiscal year-end for these revenues): sales and use taxes, cigarette taxes, corporation taxes, personal income taxes, liquid fuels taxes, inheritance taxes, liquor taxes, investment income, institutional revenues, and sales of goods and services. Grant revenues, including federal government grant revenues, are recognized when earned and available; accrued amounts due from the Federal Government are treated as available in the period in which all applicable eligibility requirements have been met. Revenues from most other sources are recognized when received.

Expenditures are generally recognized in the fiscal year the goods or services are received and the related fund liability is incurred. Debt service expenditures for principal and interest on general long-term obligations and other long-term liabilities are recognized when due. Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating a portion of related cost to the fiscal year when the items are actually used. Expenditures are reported for amounts accrued at fiscal year-end that normally would be liquidated with expendable available financial resources.

**Proprietary Funds and Fiduciary Funds**

The enterprise, internal service (proprietary funds), pension (and other employee benefit) trust funds, and custodial funds (fiduciary) are reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations of these funds are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred.

Proprietary funds classify revenues and expenses as either operating or non-operating, depending on the nature of the activities reported in the individual fund. The majority of transactions are reported as operating; however, investment

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

income and grants are reported as non-operating revenues by all proprietary funds. Fiduciary funds classify revenues and expenses as either additions or deductions to net position.

**Significant Accounting Policies**

**Pooled Cash:** In accordance with the Fiscal Code, cash balances of most Commonwealth funds are pooled by the Treasury Department. Cash balances are segregated by fund, but accounted for centrally for receipt and disbursement purposes. The law requires that collateral be pledged by banks and other financial institutions to guarantee the Commonwealth's cash on deposit.

**Cash Equivalents:** No investments that could be defined as cash equivalents have been treated as such on the statement of cash flows; therefore, only net changes in cash are displayed.

**Investment Pools:** The Fiscal Code provides the Treasury Department with investment control over most Commonwealth funds. The Treasury Department uses a variety of internal investment pools that seek to provide preservation of principal, liquidity, diversification, and income for Commonwealth funds. All participating funds report amounts invested in such pools as temporary or long-term investments; the pools themselves are not financially reported. Periodic earnings are allocated to specific participating funds. Several individual funds have statutory authority to own investments outside the Commonwealth Investment Program (CIP). The Treasury Department maintains an external investment pool, the INVEST Program for Local Governments, which separately issues audited financial statements and is reported as an investment trust fund.

**Temporary Investments:** The Treasury Department manages the temporary investment pools. Practically all individual funds that are part of PG are participants in the temporary investment pools. Except for the INVEST Program, temporary investments are reported at fair value. Such investments, which are expected to be realized in cash within twelve months after fiscal year-end or less, are reported as temporary investments. The Treasury Department accounts for each participating fund's equity (considered "shares") on a daily basis. "Share" balances of participating funds may fluctuate considerably during the fiscal year, based on the timing of cash receipts and disbursements in the participating fund. These investments are considered internal investment pools. Periodic earnings are allocated to specific participating funds based on the weighted daily average share balance.

The INVEST Program reports all investments at amortized cost, which approximates fair value. The INVEST Program meets the provisions related to portfolio quality, custodial credit risk, and shadow pricing, which are required for an external investment pool to report investments at amortized cost.

**Long-Term Investments:** Investments expected to be realized in cash after more than twelve months from fiscal year-end are reported as long-term investments. Most long-term investments are reported at fair value, those not recorded at fair value are recorded at net asset value. In addition to long-term investments held by funds with statutory authority to own investments outside the CIP, the Treasury Department manages a long-term investment pool in which a number of individual funds participate. Income is allocated periodically to specific participating funds based on the net asset value of a fund's shares at redemption date. Income is also distributed periodically based on the net asset value of the pool and participant fund share balances on the income declaration date.

**Inventories and Prepaid Expenses:** Inventories of operating materials and supplies are reported by certain governmental activities. Operating and merchandise inventories are reported by proprietary funds and the SSHE, a DPCU. Operating materials and supplies inventories are valued at cost (first-in, first-out) and merchandise inventories are reported at the lower of cost or market using weighted average cost. In the governmental fund financial statements, inventories are accounted for using the purchases method whereby expenditures are reported for current-year purchases of operating materials and supplies. Prepaid expenses are not reported in governmental fund financial statements.

**Capital Assets and Depreciation:** General capital assets (including infrastructure) and other capital assets are reported at cost or estimated historical cost in the statement of net position. Donated capital assets are reported at acquisition value at the time of donation. The cost of all land is reported; for other types of capital assets, the following minimum dollar reporting thresholds are used:

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Land improvements, buildings and building improvements.....	\$ 25
Machinery and equipment.....	25
Highway and bridge infrastructure.....	100
All other infrastructure.....	25
Computer software.....	1,000
Trademarks, patents and copyrights.....	100

Commonwealth agencies maintain inventories of all their respective capital assets, including assets acquired for less than the above minimum amounts, which are not capitalized in the basic financial statements.

The Pennsylvania Historical and Museum Commission (PHMC) owns diverse collections of historical, architectural, prehistoric and artistic artifacts, archives and manuscripts and scientific specimens. The Commonwealth does not capitalize these collections, as they meet the following criteria: PHMC's mission in acquiring these collections is for the purpose of preservation, education, research, and exhibition; PHMC secures and preserves all collections in order to adequately preserve Commonwealth history; and all acquisitions and deaccessions must be approved by the PHMC Collections Committee and the PHMC Executive Director. All amounts received from the deaccessioning of artifacts/collections are placed in a restricted account that can only be used for the purchase of new artifacts/collections.

The Commonwealth does not capitalize expenditures to protect farmland under the Agricultural Area Security Law since participating counties within the Commonwealth play a much greater role in administering the Law than the Commonwealth. Capital assets (excluding land and construction in progress) are depreciated/amortized over the estimated useful lives of major capital asset classes using the straight-line method. Depreciation/amortization expense is reported in the statement of activities as part of direct functional expenses; all depreciation/amortization is allocated to a specific function. Capital assets reported by proprietary funds are reported in those funds at cost or estimated historical cost. Depreciation/amortization is reported on the straight-line basis over the capital assets' estimated useful lives. Depreciation expense associated with capital assets procured under capital lease arrangements is reported as part of depreciation expense for other capital assets. The following useful lives are used for PG governmental activities:

Buildings and building improvements.....	40 years
Improvements other than buildings.....	30 years
Machinery and equipment.....	10 years
Highway heavy equipment.....	15 years
Highway infrastructure.....	25 years
Bridge infrastructure.....	50 years
Dams, dikes and pier infrastructure.....	50 years
Other infrastructure.....	20 years
Computer software.....	3 - 30 years
Trademarks, patents and copyrights.....	3 - 40 years

PG business-type activities report depreciation/amortization expense using useful lives that are very similar to the above and do not report any infrastructure. Certain land, buildings, and improvements owned by the Commonwealth and used by the SSHE, a DPCU, which were acquired or constructed before July 1, 1983 (the inception date for the SSHE), are financially reported as governmental activities capital assets. All general capital assets acquired or constructed for the SSHE subsequent to June 30, 1983 without the use of university funds or incurrence of SSHE debt are also reported as governmental activities capital assets. This reporting treatment is based on the title for the SSHE-used real property remaining with the PG. Based on agreements between the PG, through its Department of General Services (DGS), and SSHE universities in 2002, DGS effectively transferred occupancy, custody, and control to the SSHE universities and the SSHE universities assumed financial responsibility and legal liability for the SSHE-used real property but the Commonwealth retained title.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Asset Impairments:** Through a variety of policies, Commonwealth management requires agencies to perform periodic assessments of general and other capital assets. Beyond initial reporting (upon acquisition), agencies must adhere to continuing policies regarding usability, function, and condition of reported capital assets. With few exceptions, Commonwealth agencies using capital assets must report impairments promptly.

**Deferred Outflows of Resources** are a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources have a natural debit balance and, therefore increase net position, similar to assets.

**Deferred Inflows of Resources** are an acquisition of net position by the government that is applicable to a future reporting period. Deferred inflows of resources have a natural credit balance and, therefore decrease net position, similar to liabilities.

**Liabilities:** Governmental, business-type, and proprietary liabilities in the statement of net position, are presented as either “current” or “noncurrent.” Liabilities are segregated into these categories by establishing an average maturity for the liability class and classifying the portion due within one year of the statement date as current and the portion due beyond one year of the statement date as noncurrent. For liabilities without specific maturity or due dates, estimates are made of maturities. Liabilities without specific due dates include those related to self-insurance and compensated absences.

**Self-Insurance:** The Commonwealth is self-insured for annuitant medical/hospital benefits, employee disability and tort claims. Note 8 provides disclosures for self-insurance liabilities and property loss coverage.

**Compensated Absences:** Most employees earn annual leave, depending on length of credited service, from between 4.24% to 11.55% of regular hours paid. Generally, a maximum of 45 days may be carried forward at the end of each calendar year. Employees are paid for accumulated annual leave upon termination or retirement.

Most employees earn sick leave based on 4.24% to 5.00% of regular hours paid. Generally, a maximum of 300 days may be carried forward at the end of each calendar year. Most retiring employees that meet service, age or disability requirements are paid in accordance with the following schedule:

<u>Days Available at Retirement</u>	<u>Percentage Payment</u>	<u>Maximum Days Paid</u>
0-100	30%	30
101-200	40%	80
201-300	50%	150
over 300 (in last year of employment)	100% of days over 300	13

Some collective bargaining agreements may have different accrual rates and payouts.

Accumulated annual and sick leave liabilities payable with expendable available financial resources are reported by governmental funds; all compensated absences payable are reported by governmental and business-type activities and fiduciary funds.

**Pollution Remediation and Asset Retirement Obligations:** In the government-wide statement of net position, pollution remediation and asset retirement obligations are reported at the current value of expected outlays to fund costs using the expected cash flow technique. This technique measures the sum of probability-weighted amounts in a range of possible estimated amounts and uses all expectations about possible cash flows on a site-specific basis. Such ranges are weighted within ‘most likely’, ‘worst case’ and/or ‘best case’ scenarios and are based on actual cost experience, cost estimates and/or discrete cost treatment possibilities. All reported obligation amounts are estimates and are subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. In cases where remediation or retirement activities beyond site investigation/assessment or feasibility studies have not begun, remaining costs are not reasonably estimable and liabilities for such cases are not reported.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Interfund Transactions:** The Commonwealth has the following types of transactions between funds; between the PG governmental activities and business-type activities; and between the PG and DPCUs:

Statutory Transfers - Legally required transfers from specific funds that subsidize receiving fund programs, when paid, are reported as transfers in by the receiving fund and as transfers out by the disbursing fund. Legally required payments from the PG to CU organizations are reported when paid as governmental activities program expenses and as either operating grants and contributions or capital grants and contributions by CU organizations. Interfund balances (amounts due from/to other funds) are reported for unremitted, due and payable, transfers at fiscal year-end. In the statement of activities, only transfers between governmental activities and business-type activities are reported as transfers.

Transfers of Expenditures (Reimbursements) - Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Interfund Services Provided and Used - Charges or collections for services provided by one fund to another that are recorded as revenues and expenditures or expenses of the providing (reimbursed) fund are treated as reimbursements (above) and are eliminated. Expenditures or expenses of the using (reimbursing) fund are reported in fund financial statements and the statement of activities.

**Interfund Balances:** Amounts due from/to other funds are reported for unremitted charges or collections at fiscal year-end that arise in connection with routine, ordinary governmental fund and proprietary fund operations. The composition of the Commonwealth's interfund receivables/payables at June 30, 2020 and transfers in/out during the fiscal year ended June 30, 2020 are presented in Note 5. Interfund balances between two governmental funds or two proprietary funds are not reported in the statement of net position.

**Investment Income:** Investment income includes interest, dividends, realized gains and losses, and the change in the fair value of investments, if any, during the fiscal year. If the change in the fair value of investments decreases during any specific fiscal year, such decreases could cause reported overall investment income to be negative within specific funds. Similarly, realized losses could cause reported overall investment income to be negative within specific funds. Certain investment income from specific funds' investments is assigned to another fund and is reported by the receiving fund if the income is transferred for legal or contractual reasons; otherwise, the investment income is reported as a transfer by the receiving fund.

**Grant and Intergovernmental Revenues:** Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental revenues when entitlement occurs. Federal reimbursement-type grant revenues are recorded when the related expenditures or expenses are incurred and the revenue is available to pay expenditures. Intergovernmental revenues represent revenues received principally from the Federal Government and include revenues received from the PTC, a DPCU, based on Act 44 of 2007 and Act 89 of 2013, and the related lease and funding agreement between the PTC and the PG Department of Transportation.

**Pension Costs, Liabilities and Deferred Items:** The Commonwealth participates as an employer in the State Employees' Retirement System (SERS) pension plan and nonemployer contributing entity in the Public School Employees' Retirement System (PSERS) pension plan. The Commonwealth's policy is to fund employer contributions to the SERS and PSERS as required by their Boards, through statutory authority, or as required based on other applicable statutory requirements. As prescribed by GASB 68, actuarial valuations were prepared to value the total and net pension liabilities, deferred outflows of resources, and deferred inflows of resources for each pension plan. In the government-wide statement of net position and the proprietary fund statement of net position the Commonwealth will report its share of the net pension liability, deferred outflows of resources, and deferred inflows of resources at the actuarial present value. The changes in the net pension liability will be recognized in pension expense. Deferred outflows of resources and deferred inflows of resources balances will be amortized over a closed period matching the expected remaining service life of all employees or a closed period of five years.

**Other Postemployment Benefits (OPEB) Costs, Liabilities and Deferred Items:** The Commonwealth participates as an employer in five OPEB plans: The Retired Employees Health Program (REHP), the Retired Pennsylvania State Police Program (RSPSP), the Unified Judicial System's Postemployment Medical Plan (Judiciary), Pennsylvania House of Representatives

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Postemployment Benefits Plan (House), and the Senate of Pennsylvania Other Postemployment Benefits Plan (Senate). The Commonwealth participates as a governmental nonemployer contributing entity in the Public School Employees' Retirement System Health Insurance Premium Assistance Program (Premium Assistance). As prescribed by GASB 75, actuarial valuations were prepared to value the total and net OPEB liabilities, deferred outflows of resources, and deferred inflows of resources for all six OPEB plans. In the government-wide statement of net position and the proprietary fund statement of net position the Commonwealth reports its share of the OPEB liability, deferred outflows of resources, and deferred inflows of resources at the actuarial present value. The changes in the OPEB liability are recognized in OPEB expense. Deferred outflows of resources and deferred inflows of resources balances are amortized over a closed period matching the expected remaining service life of all employees or a closed period of five years.

**Indirect Expenses:** In the statement of activities, the full-cost allocation treatment is used, whereby reported program expenses, by function, include any expenses which could be treated as indirect expenses of another function.

**Interest Expense:** In the statement of activities, no interest expense is reported by direct program costs. No interest expense was capitalized during the fiscal year ended June 30, 2020.

**Bonds Issued, Premium/Discount on Bonds Issued and Bond Issuance Costs:** In governmental fund financial statements, the face amount of bonds issued and related premium/discount are separately reported as other financing sources/uses. Bond issuance costs are reported as expenditures. In government-wide financial statements, the face amount of bonds issued is reported as a liability and related premium/discount is amortized over the life of the outstanding debt and is reported as interest expense as part of functional governmental activities expenses.

**Restricted Net Position:** These amounts were determined based on enabling legislation, externally restricted by creditors, grantors, contributions or laws that provide for restrictions on how the resources of special (non-**General Fund**) funds may be used. At June 30, 2020, a portion of governmental activities net position was restricted based on a Federal Government purpose restriction.

**Governmental Funds Fund Balance Categories****Nonspendable:**

Nonspendable fund balances include amounts that cannot be spent because they are either not in a spendable form or they are legally or contractually required to be maintained intact.

**Spendable Categories:**

**Restricted:** Amounts which may only be spent for 1) expenditures in accordance with grants received from external parties or 2) expenditures for limited, specific purposes authorized by enabling legislation (which also authorizes the Commonwealth to assess, levy, charge or otherwise mandate payment of resources from external sources) are reported as restricted fund balance.

**Unrestricted:**

**Committed:** Commonwealth law, enacted by the General Assembly (legislature) and approved by the Governor, is the Commonwealth's highest level of decision-making authority. Both legislative enactment and gubernatorial approval on or prior to fiscal year-end are necessary to establish, modify and/or rescind amounts committed.

**Assigned:** Based on applicable Commonwealth laws, the Governor is responsible for accounting and financial reporting matters. Through a 1984 Executive Order, the Governor delegates this authority to the Secretary of the Budget. Through further delegation, amounts assigned are determined jointly, between the Governor's Budget Office and the Office of Comptroller Operations. Fund balances are reported as assigned when the Commonwealth intends for resources to be used for specific purposes, but the requirements for resources to be reported as restricted or committed have not been met.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Unassigned:** This is a residual category. Only the **General Fund** can report a positive unassigned fund balance. The **General Fund** can also report a negative amount in the unassigned category. For other governmental funds where amounts restricted and/or committed exceed total fund balance, such funds report negative amounts in the unassigned category.

**Classification among Fund Balance Categories:** Commonwealth laws, including annual enacted budgets, include legally enforceable expenditure restrictions on all funds. Commonwealth laws do not specifically recognize 'restricted' or 'unrestricted' (committed, assigned or unassigned) fund balance amounts. For financial reporting purposes, fund balance amounts for individual Commonwealth funds are reported in the first classification for which the amount 'qualifies', in this order: nonspendable, restricted, committed, assigned, and unassigned. Amounts are considered to have been spent from the fund balance classification from which specific expenditures are legally authorized. Within individual, specific Commonwealth funds, based on applicable law, individual expenditures may be disbursed from only one, specific appropriation at a time. Budgetary spending control occurs at the appropriation level. Since appropriations are not duplicated among the various GAAP-reported fund balance classifications and Commonwealth laws do not recognize the various classifications, accounting policies cannot establish that restricted amounts are spent before or after unrestricted amounts, or, within unrestricted amounts, that committed, assigned or unassigned amounts are spent in any specific order.

**Budget Stabilization Reserve Fund:** Act 91 of 2002 provided for the Budget Stabilization Reserve Fund (Fund), budgetarily, effective July 1, 2002, to gradually provide a budgetary reserve amounting to 6% of the revenues of the **General Fund**. This Fund is reported as part of the **General Fund** for financial reporting purposes. The Fund provides financial assistance to minimize future revenue shortfalls and deficits, and promote greater continuity and predictability in the funding of vital government services. It minimizes the need to increase taxes to balance the budget of the Commonwealth during periods of economic distress. See Note 15 for more information on the current balance of the Fund.

**New Accounting Pronouncements - Adopted:**

The GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The adoption of this statement resulted in the reclassification of the Commonwealth's 17 former agency funds to 11 governmental funds and six custodial funds. Additionally, two former private purpose funds and one investment trust fund were reclassified as custodial and custodial external investment pools, respectively, due to assets not being held in qualifying trusts. The impacts to previously reported net position and fund balances are summarized in Note 18.

The GASB issued Statement No. 90, "Majority Equity Interests" in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The adoption of this statement had no effect on previously reported amounts.

The GASB issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" in May 2020 effective immediately. The intent of this Statement is to provide temporary relief to governments due to the COVID-19 pandemic. This statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The adoption of this statement had no effect on previously reported amounts.

**New Accounting Pronouncements - To Be Adopted:**

The GASB issued Statement No. 87, "Leases" in June 2017. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The GASB issued Statement No. 91, "Conduit Debt Obligations" in August 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The GASB issued Statement No. 92, "Omnibus 2020" in January 2020. The purpose of this Statement is to enhance the comparability in accounting and financial reporting and improve the consistency of authoritative literature by focusing on practice issues that have been identified during the implementation of various GASB Statements.

The GASB issued Statement No. 93, "Replacement of Interbank Offered Rates" in March 2020. This Statement establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments.

The GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" in March 2020. The primary object is to address the financial reporting issues and improve the financial reporting related to public-private and public-public partnership arrangements.

The GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements" in May 2020. In order to better meet the information needs of users of financial statements, this statement establishes uniform accounting and financial reporting requirements for Subscription-Based Information Technology Arrangements.

The GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" in June 2020. This statement looks to increase consistency and comparability related to the reporting of fiduciary component units that are established as Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan or other benefits of those plans.

The new standards must be adopted as follows:

GASB Statement No. 87	Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.
GASB Statement No. 91	Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.
GASB Statement No. 92	Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.
GASB Statement No. 93	Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.
GASB Statement No. 94	Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.
GASB Statement No. 96	Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.
GASB Statement No. 97	Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.

The effect of these statements has not yet been determined.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK****Authority for Deposits and Investments****Treasury Department**

The deposit and investment policies of the Treasury Department are governed by Sections 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929, P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929, P.L. 177, No. 175).

Treasury Department deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments. This authority is subject, however, to the exercise of that degree of judgment and care under the 'prudent person' standard prevailing at that time. The 'prudent person' standard is one of judgment and care as defined by a person of discretion and intelligence, who is familiar with such matters, in exercising such standard in the management of their own affairs. And it must not be in regard to speculation but in regard to the permanent disposition of the funds considering the probable income to be derived therefrom as well as the probable safety of their capital. Treasury Department deposits and investments may include equity securities and mutual funds.

The Treasury Department manages the Commonwealth Investment Program (CIP). Practically all Commonwealth funds of the primary government are invested on a temporary basis in the CIP. The Treasury Department is required to exercise judgment and care in determining those investments that are appropriate for each Commonwealth fund based upon distinct investment criteria such as income needs, cash flow requirements, investment time horizons, and risk tolerance. All investments are made in accordance with the statutory authority described in the preceding paragraph. The CIP investment pools are invested in both equity securities, fixed income securities and loans to the primary government to achieve the investment objectives of the CIP funds. Asset allocation targets among cash, equity securities, fixed income securities and alternative investments are established in order to meet these overall objectives.

The Treasury Department has created Pools 999 and 998 within the CIP, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and risk tolerance. A highly liquid vehicle, Pool 999, consists of short-term fixed income securities and cash which provide a high degree of liquidity and security but only modest returns. Shares in this pool are classified as temporary investments. A less liquid vehicle, Pool 998, allows for investment in assets that offer potentially higher returns with commensurate risk. Shares in this pool are classified as long-term investments.

**Other Investing Organizations**

Certain investing organizations have statutory authority, which is comparable to the Treasury Department 'prudent person' authority above. The investments of such organizations are accounted for in the following funds: Workmens' Compensation, Workers' Compensation Security Trust, **State Workers Insurance Fund (SWIF)**, **Tuition Payment**, Tuition Account Investment Program, **Commonwealth Financing Authority (CFA)**, Pennsylvania Industrial Development Authority (PIDA), INVEST Program for Local Governments (INVEST Program), and Underground Storage Tank Indemnification (collectively, other investing organizations). Most of the other investing organizations establish contractual arrangements with investment managers, which identify investment objectives without providing strict limitations on 'allowable' investment purchases. Most of the other investing organizations prohibit investing in certain assets, such as commodities and futures contracts, private placements (except Section 144), and limited partnerships. Several of the organizations also prohibit short selling and margin transactions. An exception includes **Tuition Payment**; this organization permits some or all of the previously mentioned prohibited assets and transactions as well as foreign investments. **SWIF** and INVEST Program amounts are reported as of December 31, 2019 unless otherwise noted.

**Pension Trust Funds**

The State Employees' Retirement System (SERS), the Deferred Compensation Program (DCP), the Public School Employees' Retirement System (PSERS) and the Other Postemployment Benefit Investment Pool constitute combined pension (and other employee benefit) trust funds reported in the basic financial statements. The Other Postemployment Benefits Investment

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

Pool is managed by the Treasury Department, whereas the other aforementioned trusts are managed outside the Treasury Department.

Pension trust funds avoid deposit risks as such deposits must be authorized by the Treasury Department. Several state laws govern investment authority for the SERS and the PSERS, such laws provide 'prudent person' investing authority. Allowable DCP investment options are established by the SERS under its applicable statutory authority. A material portion of total pension trust fund investments consists of equity securities, real estate and fixed income investments. The SERS and DCP are reported as of December 31, 2019.

**Statutory Liquidator Fund**

The Statutory Liquidator Fund, a custodial fund, investments are primarily managed by the affected insurance companies pursuant to liquidation orders issued by the PA Insurance Commissioner. Other investments are managed by the Insurance Department's Office of Liquidations, Rehabilitations and Special Funds. Also, a portion of Statutory Liquidator Fund holdings is invested in the CIP.

**Fair Value of Investments****Treasury Department**

The Treasury Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The Treasury Department has the following recurring fair value measurements as of June 30, 2020:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
<b>Debt Securities</b>				
Corporate obligations.....	\$ 917,659	\$ —	\$ 856,621	\$ 61,038
U.S. Treasury obligations.....	992,830	992,830	—	—
Mortgage backed securities.....	258,953	—	258,953	—
Private placements.....	181,413	—	181,413	—
State and municipal obligations.....	4,253	—	4,253	—
Asset backed securities.....	4,080	—	4,080	—
U.S. government sponsored enterprises.....	353,284	—	353,284	—
Commercial paper.....	6,511,376	—	6,511,376	—
Sovereign debt.....	51,269	—	51,269	—
<b>Equity Securities</b>				
Equity.....	2,390,783	2,120,304	—	270,479
Preferred securities.....	8,272	1,170	7,102	—
<b>Other Securities</b>				
Treasury group investment <sup>(1)</sup> .....	10,132,296	—	10,132,296	—
<b>Other</b>				
Certificates of deposits.....	416,359	—	416,359	—
Mutual funds.....	2,860,850	2,860,850	—	—
Money market mutual funds.....	3,396,244	3,349,706	46,538	—
<b>Total investments by fair value level.....</b>	<b>\$ 28,479,921</b>	<b>\$ 9,324,860</b>	<b>\$ 18,823,544</b>	<b>\$ 331,517</b>
<b>Investments by Net Asset Value (NAV)</b>				
Real estate alternative managers.....	93,439			
Fund of funds alternative managers.....	136,100			
Private equity alternative managers.....	2,160			
Absolute return alternative managers.....	2,095			
<b>Total investments at NAV.....</b>	<b>233,794</b>			
<b>Total investments measured at fair value.....</b>	<b>\$ 28,713,715</b>			

(1) The amount is 100% invested in the Treasury Group Consolidated Cash Pool which is made up of 32% Level 1 and 68% Level 2 inputs.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt securities classified in Level 3 are valued by a loan pricing matrix. If vendor pricing is not available the price defaults to cost.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 valuations are based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets. Level 3 valuations use proprietary or single source pricing derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Other securities classified in Level 1 of the fair value hierarchy consist of mutual funds. The underlying funds are reported at fair value, determined by Vanguard based on the net asset value per share of each mutual fund as of the close of the New York Stock Exchange (NYSE) on the reporting date (level 1 inputs). Other securities classified in Level 2 of the fair value

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

hierarchy consist of Treasury pooled investments. The underlying investments for the pools consist of 32% Level 1 securities and 68% Level 2 securities.

The Treasury Department has the following investments measured at the Net Asset Value (NAV):

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Real estate alternative managers <sup>(1)</sup> .....	\$ 93,439	\$ 10,978	Monthly	n/a, 30-60 days
Fund of funds alternative managers <sup>(2)</sup> .....	136,100	21,109	Monthly, Quarterly	n/a, 45-90 days
Private equity alternative managers <sup>(3)</sup> .....	2,160	—	n/a	n/a, 60 days
Absolute return alternative managers <sup>(4)</sup> .....	2,095	8,155	n/a	n/a, 60 days
<b>Total investments at NAV</b> .....	<b>\$ 233,794</b>	<b>\$ 40,242</b>		

(1) Real Estate Managers - This type of investment’s objective is to provide investors a return by investing in Real Estate Investment Trusts, mortgage loans, and other real estate development projects in certain metropolitan markets. The fair value of the investments in these managers have been determined using the NAV per share (or its equivalent) of the investments. For one investment valued at \$1,000, Develop, DC, the invested funds cannot be withdrawn until the agreement expires.

(2) Fund of Fund Managers - This type of investment objective aims to achieve broad diversification and appropriate asset allocation with investments in a variety of fund categories that are all wrapped into one fund. This strategy invests in portfolios that contains different underlying assets through investing in other types of funds instead of investing directly in bonds, stocks and other types of securities. The fair value of the investments in this manager have been determined using the NAV per share (or its equivalent) of the investments. The redemption notices of these investments vary from no notice specified, 45 or 90 day required notice.

(3) Private Equity Managers - This type of investment objective is to provide an above average return by investing in private companies across a variety of industries. The fair value of the investments in this manager have been determined using the NAV per share (or its equivalent) of the investments. These investments cannot be easily redeemed as distributions are received through the liquidation of the underlying assets. For this category, the invested funds cannot be withdrawn until the agreement expires.

(4) Absolute Return Managers - This type of investment vehicle seeks to make positive returns by employing investment management techniques that differ from traditional mutual funds. The fair value of the investments in this manager have been determined using the NAV per share (or its equivalent) of the investments. The invested funds cannot be withdrawn until the agreement expires.

**State Employees’ Retirement System (SERS)**

The SERS fair value hierarchy is broken down into three levels based on inputs that market participants would use in valuing assets and liabilities derived from market data as follows:

- Level 1 inputs: are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs: are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are observable.
- Level 3 inputs: are unobservable inputs used to measure fair value if relevant observable inputs are not available for the asset or liability at the reporting date.

Common and preferred stocks, commingled equity funds, real estate securities, and foreign exchange contracts are valued using prices quoted in active markets for those securities and are categorized as Level 1. They are marked to market daily with changes in fair value recognized as part of investments and investment income. Fixed income securities are valued using a matrix pricing technique and are categorized as Level 2. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices and recently printed security-specific trading levels. Value add/opportunistic

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

separately managed accounts (SMA) in real estate and other securities classified in Level 3 reflect prices, which may use several unobservable inputs using assumptions based on market methodologies to determine the fair value of investments.

Derivative instruments, which include foreign exchange contracts, interest rate swaps, credit default swaps, and futures, are included in other investments in the fair value tables.

The SERS has the following fair value measurements as of December 31, 2019:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
<b>Defined Benefit Plan</b>				
<b>Fixed Income</b>				
Agencies .....	\$ 22,680	\$ —	\$ 22,680	\$ —
Asset and mortgage backed securities .....	626,387	—	625,542	845
Corporates .....	827,058	—	803,453	23,605
Government .....	2,104,363	—	2,104,363	—
Sovereign debt .....	231,729	—	231,729	—
Private placements .....	573,206	—	560,237	12,969
<b>Equity</b>				
Domestic common and preferred stocks .....	8,578,161	8,570,438	7,723	—
Foreign common and preferred stocks .....	1,425,333	1,425,333	—	—
Commingled equity funds .....	7,269,266	7,269,266	—	—
<b>Real Estate</b>				
Real estate securities .....	280,751	280,751	—	—
Value add/opportunistic SMA .....	638,849	—	—	638,849
<b>Other Investments</b> .....	3,019	1,839	1,180	—
<b>Total investments by fair value level</b> .....	<b>\$ 22,580,802</b>	<b>\$ 17,547,627</b>	<b>\$ 4,356,907</b>	<b>\$ 676,268</b>
<b>Investments by Net Asset Value (NAV) .....</b>				
Buyouts private equity .....	1,981,336			
Legacy private equity .....	745,134			
Special situation private equity .....	415,681			
Venture capital private equity .....	745,248			
Private credit funds private equity .....	305,651			
Core/core plus real estate .....	741,293			
Value add/opportunistic funds real estate .....	447,771			
Natural resources/infrastructure real estate .....	5,743			
Credit-focused hedge funds .....	969,849			
Direct investments hedge funds .....	2,425			
Absolute return strategies hedge funds .....	2,460			
Commingled fixed income funds .....	559,587			
<b>Total investments at NAV</b> .....	<b>6,922,178</b>			
<b>Total investments measured at fair value</b> .....	<b>\$ 29,502,980</b>			

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Investments by Fair Value Level	Total	Level 1
<b>Defined Contribution Plan</b>		
Commingled public equity funds	\$ 808	\$ 808
<b>Total investments by fair value level</b>	<b>\$ 808</b>	<b>\$ 808</b>
<b>Investments by Net Asset Value (NAV)</b>		
Commingled fixed income funds	150	
Target date funds	7,898	
<b>Total investments at NAV</b>	<b>8,048</b>	
<b>Total investments measured at fair value</b>	<b>\$ 8,856</b>	

Private equity limited partnerships are valued at the NAV of the SERS ownership interest in partners’ capital, which approximates fair value. The NAV is determined by the general partners using assumptions and estimates that have been reviewed and approved by valuation committees. Since private equity investments in such partnerships are generally illiquid with holding periods lasting seven to ten years, the value realized by the SERS upon disposition may differ from estimated values reflected in the basic financial statements. SERS private equity investments are categorized into the following strategies:

- Buyouts is characterized chiefly by investments in established private or publicly listed firms that are undergoing a fundamental change in operations or strategy.
- Venture Capital is characterized chiefly by high-risk investments in new or young companies following a growth path (early, late, and balanced stage funds) in technology and other value-added sectors.
- Special Situations is characterized chiefly by investments in funds that acquire distressed companies or companies in need of restructuring, funds from the secondary market, and funds providing mezzanine financing.
- Legacy Private Equity is characterized chiefly by consolidating legacy assets from various Private Equity core sub asset-classes (Buyouts, Venture Capital, Special Situations) that are being managed by a third-party administrator which provides day-to-day oversight of operations.
- Private Credit Funds is characterized chiefly by closed-end (drawdown) limited partnership structures with liquidity events in five years or more, which may include investment strategies such as direct lending, specialty lending, mezzanine, and distressed investing.

Real estate limited partnerships are valued at the NAV of the SERS ownership percentage in partners’ capital. The investment managers use third-party appraisals based on discounted cash flows, recent comparable sales, and current market conditions to arrive at NAV. For the SERS Value Add/Opportunistic Funds and Core/Core Plus, the NAV is updated by independent appraisals typically at least every three years by appraisers who meet specific professional qualifications. The appraisal process involves significant judgment and estimating; thus, the value upon sale of an asset may differ from its appraised value.

Any assumptions and estimates used in developing the NAV have been reviewed and approved by valuation committees. Because the investments in such partnerships are generally illiquid with holding periods lasting seven to ten years, the value realized by the SERS upon disposition may differ materially from estimated values reflected in the basic financial statements. The following portions of the SERS real estate investments are valued at the NAV:

- Value Add/Opportunistic Funds utilize greater leverage and development strategies relative to core strategies, thereby taking higher risks but demand higher returns. Returns are primarily generated from capital appreciation from opportunistic investments. Strategies for this category of investing can include niche opportunities that are typically not available in core-style investing. These are closed-end funds.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

- Core/Core Plus are a long-term investment in high-quality real estate that generates returns primarily from stable income producing properties. These are open-end funds.
- Natural Resources/Infrastructure differ from real estate in that they focus on other real assets other than real estate, but maintain the characteristics of collateralization by hard assets and income-producing potential.

Hedge funds are valued on a monthly basis by general partners based on information provided by underlying hedge fund investments (if a fund-of-hedge fund structure), third-party administrators, and brokers. Hedge fund investments in limited partnerships are valued using the NAV of units held at the end of the period based on the fair value of underlying investments. Hedge fund investments are categorized into the following specific strategies:

- Credit-Focused Strategies are investments that include directional and relative value investments through various structures, excluding closed-end funds, that may include debt securities, credit derivatives and related instruments, and/or multi-sector fixed income funds.
- Direct Investments are investments where the SERS and other institutional investors pool their funds with a manager tasked with incorporating hedge strategies. The assets are to be sold in orderly fashion as market conditions dictate.
- Absolute Return Strategies are investments intended to produce uncorrelated diversified return streams in the portfolio to help preserve and enhance the real value of the SERS Fund over long periods of time. The assets are to be sold in orderly fashion as market conditions dictate.

Commingled fixed income funds are pooled investments in multiple debt-type securities, which are valued at the NAV. Target date funds invest over multiple asset types at varying allocation percentages based on planned maturity of the fund. The NAV for commingled fixed income funds and target date funds is calculated using the closing price of the underlying investments, with the total value of the fund being apportioned to the SERS based on units of ownership.

The SERS has the following investments measured at the Net Asset Value (NAV) as of December 31, 2019:

<b>Defined Benefit Plan</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemptions Frequency</b>	<b>Redemption Notice Period</b>
Buyouts private equity.....	\$ 1,981,336	\$ 1,612,770	n/a	n/a
Legacy private equity.....	745,134	144,465	n/a	n/a
Special situation private equity.....	415,681	624,912	n/a	n/a
Venture capital private equity.....	745,248	291,499	n/a	n/a
Private credit funds private equity.....	305,651	1,197,282	n/a	n/a
Core/core plus real estate.....	741,293	366,868	Quarterly	60 - 90 days
Value add/opportunistic funds real estate.....	447,771	565,896	n/a	n/a
Natural resources/infrastructure real estate...	5,743	—	Daily	None
Credit-focused hedge funds.....	969,849	—	Quarterly	95 days
Direct investments hedge funds.....	2,425	—	see note (1)	see note (1)
Absolute return strategies hedge funds.....	2,460	—	see note (1)	see note (1)
Commingled fixed income funds.....	559,587	—	Quarterly	30 days
<b>Total investments at NAV.....</b>	<b>\$ 6,922,178</b>	<b>\$ 4,803,692</b>		
<b>Defined Contribution Plan Benefit Plan</b>				
Commingled fixed income funds.....	150	n/a	Daily	1 - 14 days
Target date funds.....	7,898	n/a	Daily	1 - 14 days
	<b>\$ 8,048</b>			

(1) The assets are to be sold in an orderly fashion as market conditions dictate.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The SERS also has investments that are not measured at fair value or the NAV, which were excluded from the previous tables. The SERS owns a portion of the Commonwealth Treasury Department’s (Treasury Department) short-term investment fund (STIF). The SERS portion of STIF is valued at cost plus accrued interest, which approximates fair value. The value of the SERS Defined Benefit Plan and Defined Contribution Plan portions of the STIF were \$1,661,979 and \$4,434, as of December 31, 2019. Additionally, the SERS Defined Benefit Plan has investments that are carried at either cost or liquidation basis values. These other investments totaled \$32,377 as of December 31, 2019.

**Deferred Compensation Program (DCP)**

DCP utilizes the fair value hierarchy, which contains three levels, and is based on the valuation inputs used to measure an asset’s fair value.

- Level 1 inputs: are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs: are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are observable.
- Level 3 inputs: are unobservable inputs used to measure fair value if relevant observable inputs are not available for the asset or liability at the reporting date.

Collective investment funds and self-directed brokerage accounts are reported at fair value based on DCP’s ownership percentage of underlying investments as of the last business day of the calendar year, and are categorized as Level 1. The collective investment funds comprise two U.S. equity funds, one international equity fund, and one U.S. bond fund. Using a mix of these funds, DCP offers a balanced fund and three profile funds, which are aggressive, moderate, and conservative.

The Stable Value Fund is a multi-manager and multi-insurance wrap set-up and is not valued within the fair value hierarchy. The Stable Value Fund is valued at Net Asset Value (NAV), which approximates fair value. NAV for the Stable Value Fund represents the consolidated values of the multiple managers that were hired by the fund manager.

DCP also has investments that are not measured at fair value or NAV and are excluded from the following fair value hierarchy table. These investments include cash, Short-Term Investment Fund, the Commonwealth Treasury Department’s short-term investment fund (STIF), and a group annuity contract totaling \$84,969 for December 31, 2019. The Short-term Investment Fund and STIF are valued at cost plus accrued interest, which approximates fair value. The group annuity contract, which is no longer offered to participants, is valued at contract value, which approximates fair value. Contract value for the group annuity contract represents contributions made under the contract, plus earnings, less payments made to retirees and terminated participants.

DCP has the following fair value measurements as of December 31, 2019:

<u>Investments by Fair Value Level</u>	<u>Level 1</u>
<b>Self directed brokerage accounts</b> .....	\$ 133,447
<b>Collective investment funds</b>	
U.S. large company stock index fund.....	1,397,701
U.S. small/mid company index fund.....	465,890
U.S. bond index fund.....	445,440
International company stock index fund.....	243,724
<b>Total investments by fair value level</b> .....	<u>\$ 2,686,202</u>
 <b>Investments by Net Asset Value (NAV)</b>	
Stable value fund.....	<u>\$ 1,118,261</u>
<b>Total investments measured at fair value</b> .....	<u><u>\$ 3,804,463</u></u>

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)****Public School Employees' Retirement System (PSERS)**

The PSERS measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure fair value in that particular market.
- Level 2 inputs: Level 2 inputs are prices that are observable either directly or indirectly. Level 2 inputs may include quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable such as interest rates, yield curves, implied volatilities, credit spreads or market-corroborated inputs.
- Level 3 inputs: Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

At June 30, 2020, the PSERS had the following recurring fair value measurements:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
<b>Short-term</b>				
PSERS Short-Term Investment Fund.....	\$ 5,713,063	\$ 4,053,978	\$ 1,659,085	\$ —
Other domestic short-term.....	96,239	58,851	37,388	—
International short-term.....	11,862	7,151	4,711	—
<b>Fixed income</b>				
Domestic asset backed and mortgage backed securities.....	1,460,459	—	1,460,459	—
U.S. government and agency obligations.....	3,128,446	1,819,633	1,308,813	—
Domestic corporate and taxable municipal bonds.....	4,851,309	3,668,826	1,182,483	—
International fixed income.....	234,983	—	234,983	—
<b>Common and preferred stock</b>				
Domestic common and preferred stock.....	4,782,678	4,761,657	21,021	—
International common and preferred stock.....	4,974,091	4,974,091	—	—
<b>Directly owned real estate</b> .....	1,110,985	(132,000)	—	1,242,985
<b>Total investments by fair value level</b> .....	<b>\$ 26,364,115</b>	<b>\$ 19,212,187</b>	<b>\$ 5,908,943</b>	<b>\$ 1,242,985</b>
<b>Investments by Net Asset Value (NAV)</b>				
Collective trust funds.....	13,160,891			
Equity real estate.....	4,367,137			
Private equity alternative investments.....	6,157,753			
Special situations alternative investments.....	6,152,060			
Venture capital alternative investments.....	1,138,738			
<b>Total investments at NAV</b> .....	<b>30,976,579</b>			
<b>Total investments measured at fair value</b> .....	<b>\$ 57,340,694</b>			
<b>Investment derivative instruments</b>				
Futures.....	59,544	59,544		
Total return type swaps.....	254,293	254,293		
Foreign exchange contracts.....	(14,708)	(14,708)		
<b>Total investment derivative instruments</b> .....	<b>\$ 299,129</b>	<b>\$ 299,129</b>		

Debt, equity, and derivative instrument securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices and recently published security specific trading levels. Short-term securities are carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities which are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

For Collective trust fund investments (CTF), management in consultation with investment advisors has determined the fair value based upon the reported share value of the respective fund. The reported share value of the fund is based upon each respective fund’s administrator statement.

For alternative investments, which include private equity, special situation, venture capital and equity real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

advisors, has determined the fair values for the individual investments based upon the partnership’s most recent available financial information.

Directly-owned real estate investments are primarily valued based on appraisals performed by independent appraisers and, for properties not appraised, the present value of the projected future net income stream is used. Directly-owned real estate investments are reported net of related debt borrowed against the market value of the property. At June 30, 2020 and 2019, \$132,000 in open-ended repurchase agreements were netted against the related property valuation and classified as Level 1. The agreements are payable at an interest rate equivalent to 1 month LIBOR plus 40 basis points and are collateralized by certain fixed income investments of the PSERS.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using observable exchange, dealer, or broker market pricing.

The valuation method for investments measured at the NAV per share (or its equivalent) as of June 30, 2020 is presented in the following table:

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Collective trust funds <sup>(1)</sup> .....	\$ 13,160,891	\$ —	see note (1)	0-90 days
Equity real estate <sup>(2)</sup> .....	4,367,137	2,804,301	see note (2)	see note (2)
Private equity alternative investments <sup>(3)</sup> .....	6,157,753	4,456,755	see note (3)	see note (3)
Private debt alternative investments <sup>(4)</sup> .....	6,152,060	4,574,522	see note (4)	see note (4)
Venture capital alternative investments <sup>(5)</sup> .....	1,138,738	300,959	see note (5)	see note (5)
<b>Total investments at NAV</b> .....	<u>\$ 30,976,579</u>	<u>\$ 12,136,537</u>		

(1) CTF consist primarily of domestic and international institutional funds. The fair value of CTF is based on the reported share value of the respective fund. CTF are managed by state chartered banks for which various state banking departments have regulatory oversight and investment advisors for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits. Redemption frequency for these assets range from monthly, to quarterly, to annual.

(2) Equity real estate includes real estate funds that invest primarily in U.S., Latin American, European and Asian commercial real estate. Fund investments can be made across the capital structure of each property venture. The fair value of the investments in this type have been determined using the NAV per share (or its equivalent) of the PSERS’ ownership interest in partners’ capital. These investments cannot be easily redeemed. Distributions from each fund may be received as: 1) cash flows from operations or 2) return of capital from dispositions. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 12 years.

(3) Private equity includes U.S. buyout funds and international buyout funds that invest mostly in private companies across a variety of industries (although they may invest in public companies from time to time). The fair value of the investments in this type have been determined using the NAV per share (or its equivalent) of the PSERS’ ownership interest in partners’ capital. These investments cannot be easily redeemed. The nature of private equity investments is that distributions are received through the liquidation of the underlying assets of the fund. The expected holding period of a private equity portfolio company is 3 to 7 years.

(4) Special situations includes private investment funds that invest across the fixed income capital structure primarily in North America and Western Europe. The fair value of the investments in this type have been determined using the NAV per share (or its equivalent) of the PSERS’ ownership interest in partners’ capital. These investments cannot be easily redeemed. Instead, the nature of the investments in this type is that distributions are received through the orderly liquidation of the underlying assets of the fund throughout the stated term of the fund. It is expected that the underlying assets of the funds will be liquidated over the next 3 to 7 years.

(5) Venture capital includes U.S. based private funds, that finance young, relatively small, rapidly growing companies, typically in either the health care or information technology sectors. The fair value of the investments in this type have been

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital. These investments cannot be easily redeemed. The nature of venture capital investments is that distributions are received through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over the next 5 to 10 years.

The Premium Assistance investment assets have the following recurring fair value measurements as of June 30, 2020:

- PSERS Short-Term Investment Fund of \$46,133 consists of Level 1 values of \$32,736 and Level 2 values of \$13,397.
- Other domestic short-term investments of \$47,483 consists of Level 2 values.

The Health Options Program (HOP) investment assets have the following recurring fair value measurements as of June 30, 2020:

- PSERS Short-Term Investment Fund of \$95,065 consists of Level 1 values of \$67,458 and Level 2 values of \$27,607.
- Other domestic short-term investments of \$222,761 consists of Level 1 values.

The Defined Contribution Plan investment assets have the following recurring fair value measurement at June 30, 2020:

- PSERS Short-Term Investment Fund of \$6,716 consists of Level 1 values of \$4,766 and Level 2 values of \$1,950.
- Other domestic short-term investments of \$217 consists of Level 1 values.
- Collective trust funds investments (DC-CTF) of \$14,632 are valued at NAV. They consist primarily of domestic and international institutional funds. The fair value of DC-CTF is based on the reported share value of the respective fund. DC-CTF are managed by state chartered banks for which various state banking departments have regulatory oversight and investment advisors for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits. Redemption frequency for these assets range from monthly, to quarterly, to annual. The redemption notice period is 0-90 days.

**Statutory Liquidator Fund**

The Statutory Liquidator categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The Statutory Liquidator Fund has the following recurring fair value measurements as of June 30, 2020:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
<b>Debt Securities</b>				
Corporate obligations.....	\$ 56,572	\$ 10,072	\$ 46,500	\$ —
U.S. Treasury obligations.....	104,679	87,885	16,794	—
Mortgage backed securities.....	25,959	1,688	24,271	—
Private placements.....	36,099	—	9,072	27,027
State and municipal obligations.....	7,899	—	7,899	—
U.S. government agencies.....	468	468	—	—
Asset backed securities.....	4,264	4,210	54	—
Sovereign debt.....	6,872	—	6,872	—
Alternative investments.....	9,999	203	9,796	—
<b>Equity Securities</b>				
Equity.....	59	59	—	—
Preferred securities.....	714	714	—	—
<b>Other Securities</b>				
Treasury group investment <sup>(1)</sup> .....	94,805	—	94,805	—
Mutual Funds.....	85,131	21,053	—	64,078
Money market mutual funds.....	8,861	2,326	6,535	—
<b>Total investments by fair value level.....</b>	<b>\$ 442,381</b>	<b>\$ 128,678</b>	<b>\$ 222,598</b>	<b>\$ 91,105</b>

(1) The amount is 100% invested in the Treasury Group Consolidated Cash Pool which are made up of 32% Level 1 and 68% Level 2.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Other securities classified in Level 1 of the fair value hierarchy consist of mutual funds valued using prices quoted in active markets. Other securities classified in Level 2 of the fair value hierarchy consist of Treasury Pooled investments. The underlying investments for the pools consist of 32% Level 1 securities and 68% Level 2 securities.

**Deposit Risks**

At June 30, 2020, Commonwealth bank balances of \$10,224 were subject to custodial risk because they were uninsured and uncollateralized. In addition, \$8,407 of Statutory Liquidator Fund deposits were subject to custodial deposit risk because they were uninsured and uncollateralized. The PSERS, through its third party administrator, maintains certain bank deposits for the operation of its voluntary Health Options Program. These deposits are not required to be collateralized by statute or policy. These deposits totaled \$222,761 at June 30, 2020 and are under the custody of its bank which has an A rating by Standard and Poor's (S&P) and an A3 rating by Moody's Investors Service (Moody's).

**Cash with Fiscal Agent**

Within the business-type activities cash with fiscal agent, the **Unemployment Compensation Fund** reported \$1,271,198 and within the governmental activities cash with fiscal agent, the **General Fund** and the Game Fund reported \$14,051 and \$8,042, respectively. The **Unemployment Compensation Fund's** cash with fiscal agent is held with the Federal Unemployment Insurance Trust Fund. The **General Fund's** cash with fiscal agent is held with the Federal Unemployment Insurance Trust

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

Fund, and bank accounts for Pennsylvania's judicial courts. The Game Fund cash with fiscal agent represents escrow accounts held for the purposes of land acquisition. The Statutory Liquidator, a custodial fund, also reported \$10,045 cash with fiscal agent.

**Restricted Cash**

Restricted cash consists of funds held for the payment of debt service interest and principal payments by the Philadelphia Regional Port Authority (PRPA), a blended non-major component unit, all of which is collateralized. At June 30, 2020, the PRPA reported carrying amount of restricted cash and cash equivalents were \$4,566.

**Investment Risks**

**Risk Management Policies:** The Treasury Department, which is responsible for the CIP, **Tuition Payment** and INVEST Program, has formally adopted a written investment policy. Provisions of the written investment policy and current management of the investments address custodial credit risk, concentration of credit risk, credit risk, interest rate risk, and foreign currency risk. Most of the other investing organizations have adopted investment policies intended to reduce the various risks. Pension trust fund policies limit custodial credit risk to a minimum but are exposed to credit risk, interest rate, and foreign currency risk. Credit risk is mitigated by following policies to purchase only 'investment grade' securities (Baa/BBB/BBB or better). Interest rate risk policies have been adopted to limit the risk by establishing maximum maturities. The establishment of policies limiting investment purchases from a single issuer mitigates concentration risk. The individual risk policies and related disclosures are discussed in greater detail below.

**Investments by Type**

At June 30, 2020, the Treasury Department and other investing organizations, excluding Statutory Liquidator, Tuition Account Investment Program, the SERS, DCP and the PSERS, reported a total of \$19,295,138 in investments. Cash equivalents amounting to \$336,392, which are held in the CIP and other portfolios, are reported as investments but are not included as part of fixed income investment disclosures. Excluding cash equivalents, total investments disclosed amount to \$18,958,746; of this amount, excluding equities and alternative investments (\$2,390,783 and \$233,794, respectively), fixed income investments disclosed amount to \$16,334,169.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The investment types and related amounts are as follows:

<b>Investment Type</b>	<b>Amount</b>
Alternative Investments.....	\$ 233,794
Asset backed securities.....	4,080
Certificates of deposit.....	416,359
Commercial paper.....	6,511,376
Corporate obligations.....	917,659
Equity.....	2,390,783
Money market mutual funds.....	3,396,244
Mortgage-backed securities.....	258,953
Mutual funds.....	2,860,850
Preferred securities.....	8,272
Private placements.....	181,413
Securities lending collateral pool.....	377,327
Sovereign debt obligations.....	51,269
State and municipal obligations.....	4,253
U.S. government sponsored enterprises.....	353,284
U.S. Treasury obligations.....	992,830
<b>Total investments</b> .....	<b>18,958,746</b>
Cash equivalents.....	336,392
<b>Total investments and cash equivalents</b> .....	<b>\$ 19,295,138</b>

In addition, at June 30, 2020, all reported investments of the Tuition Account Investment Program, amounting to \$3,395,323 consist entirely of mutual funds, \$3,382,776, and money market mutual funds, \$12,547.

**Custodial Credit Risk:** Custodial credit risk for investments is the risk that, in the event a counterparty fails to uphold its agreement to a transaction, with either the Treasury Department, the other investing organizations or the pension trust funds, they would not be able to recover the value of investment or collateral securities in the possession of an outside party. In accordance with a contractual relationship between the Treasury Department and its custodial agents, substantially all investments, where securities are used as evidence of the investment, are held by the custodians in book entry form in the name of the Commonwealth or the custodian. Similarly, investments of the other investing organizations and the pension trust funds are almost always registered in the name of the Commonwealth, as the Treasury Department is the statutory custodian for such investments. The CFA reported at June 30, 2020, \$885,526 of deposits and disclosed that due to the nature of the cash and cash equivalents balances, there is no custodial credit risk. The Tuition Account Investment Program reported at June 30, 2020, \$236,314 of bank investment contracts that are not insured by the FDIC or otherwise covered by collateral or supplementary insurance. Also, at June 30, 2020, only the Statutory Liquidator Fund, a custodial fund, owned investment securities subject to custodial credit risk, in the amount of \$234,972. Such securities are neither insured nor registered and are either held by the counterparty or the counterparty’s trust department or agent but not in the name of the Commonwealth. The investment types and related amounts are as follows:

<b>Investment Type</b>	<b>Amount</b>
Asset backed securities.....	\$ 4,264
Corporate obligations.....	56,572
Equities.....	59
Mortgage-backed securities.....	25,959
Private placements.....	36,099
Sovereign debts.....	6,872
U.S. government agencies.....	468
U.S. Treasury obligations.....	104,679
<b>Total</b> .....	<b>\$ 234,972</b>

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the government’s investment in a single issuer. The Treasury Department places a 10% limit on the concentration of investments in any one fixed income issuer within the CIP, **Tuition Payment** and INVEST Program. This limitation excludes government-sponsored enterprises (GSEs), direct obligations of the U.S. Treasury or U.S. government agencies, and repurchase agreements. The Treasury Department also places a 5% limit on the concentration of investments in one equity issuer within the CIP. Similarly, to a degree, the five other investing organizations limit exposure to concentration of credit risk. Several of the other investing organizations have adopted policies, which allow greater than 5% of portfolios to consist of securities issued by the U.S. Treasury. Among Treasury and other investing organizations, based on total portfolio value, the following concentrations existed as of June 30, 2020:

Issuer Name	Amount	% of Treasury and Other Investing Organizations Portfolio
iShares.....	\$ 2,502,771	13.5%
Vanguard.....	\$ 1,671,710	9.0%

The concentration of credit risk for the Statutory Liquidator Fund is as follows:

Issuer Name	Amount	% of Statutory Liquidators Portfolio
PIMCO Funds.....	\$ 112,158	21.3%

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by Nationally Recognized Statistical Rating Agencies (NRSRA) such as Moody’s Investors Service (Moody’s), Standard & Poor’s (S&P), and Fitch Ratings (Fitch). The Treasury Department requires purchases of CIP assets to be investment grade (Baa/BBB/BBB or better) at the time of purchase. The fixed income portfolio includes a provision for the asset allocation to allow up to 10% of the portfolio to be in high yield investments. These investments, by definition, are not restricted to the investment grade requirements and include investments rated at Ba/BB/BB or below. Generally, the other investing organizations limit exposure to credit risk through policies, which prevents purchasing below investment grade (Baa/BBB/BBB).

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

At June 30, 2020, \$16,334,169 of total Treasury and other investing organization investments of \$19,295,138 are fixed income investments, susceptible to credit quality rating; the remainder is primarily equities \$2,390,783, alternative investments \$233,794, cash equivalents, and various deposit accounts of \$336,392. Of the Treasury amount susceptible to credit quality rating, \$15,006,678 is rated; ratings are not available for \$1,000,553 of fixed income investments:

<b>Moody's Investors Service</b>	<b>Amount</b>
P-1.....	\$ 1,787,011
P-2.....	5,000
Aaa.....	1,757,340
Aa.....	56,928
A.....	860,635
Baa.....	293,475
Ba.....	151,611
B.....	58,137
Caa.....	9,575
Ca.....	206
<b>Moody's Investors Service subtotal.....</b>	<b>4,979,918</b>
<b>Standard and Poor's</b>	
AAA.....	207,655
AA.....	679,563
A.....	1,055,786
A-1.....	5,044,375
BBB.....	83,088
BB.....	33,303
B.....	29,947
CCC.....	9,969
D.....	897
<b>Standard and Poor's subtotal.....</b>	<b>7,144,583</b>
<b>Fitch Ratings</b>	
F-1.....	2,724,557
AAA.....	287
AA.....	9,620
A.....	120,827
BBB.....	21,749
BB.....	4,788
B.....	349
<b>Fitch Ratings subtotal.....</b>	<b>2,882,177</b>
<b>Rated subtotal.....</b>	<b>15,006,678</b>
<b>Unrated subtotal.....</b>	<b>1,000,553</b>
<b>Total fixed income investments.....</b>	<b>\$ 16,007,231</b>

At June 30, 2020, 1.99% (\$298,782) of rated fixed income Treasury investments of \$15,006,678 are rated below investment grade. Approximately 6.25% (\$1,000,553) of the fixed income portfolio in Treasury and other investing organizations are not rated by the NRSRAs. Unrated Fixed Income Investments include securities that did not have a credit rating available from a NRSRA at June 30, 2020. Among the Tuition Account Investment Program’s mutual fund portfolios, certain mutual funds hold

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

fixed income investments susceptible to credit quality ratings and all such investments are rated Aaa-mf by Moody's or AAAM by S&P.

The pension trust funds may expose themselves to greater credit risk than the Treasury Department or other investing organizations to meet specific investment objectives. The SERS' Defined Contribution Plan is exposed to credit risk through investment in the Commonwealth Treasury Department's STIF, which is not rated. The plan had \$4,434 in STIF as of December 31, 2019. The plan also has indirect exposure to credit risk through the commingled fixed income funds, which had a cumulative balance of \$150 as of December 31, 2019. These funds hold investment grade securities. The SERS' Defined Benefit Plan and DCP fixed income securities (at December 31, 2019), which are exposed to credit risk, are rated as follows:

<b>Moody's Investors Service <sup>1</sup></b>	<b>SERS</b>	<b>DCP</b>
Aaa.....	\$ 183,688	\$ 18,415
Aa.....	523,062	136,464
A.....	308,183	41,862
Baa.....	660,509	64,034
Ba and below.....	1,049,797	5,248
Unrated <sup>2</sup> .....	69,614	—
Short-term investments.....	1,661,824	86,265
<b>Total.....</b>	<b>\$ 4,456,677</b>	<b>\$ 352,288</b>

1. The Moody's rating represents all of the securities that fall within subcategories of the ratings shown in this table. For example, a security with a rating of Ba1 is shown as a rating of Ba in this table.
2. 'Unrated' represents securities that were either not rated or had a withdrawn rating.

The PSERS fixed income securities, which are subject to credit risk rating, are listed below using the rating (expressed as S&P equivalent), available from Fitch, Moody's, and/or S&P that indicates the greatest degree of risk at June 30, 2020:

<b>Standard and Poor's Equivalent <sup>1</sup></b>	<b>Amount</b>
AAA.....	\$ 3,157,130
AA.....	2,033,336
A.....	694,795
BBB.....	737,629
BB and below.....	494,959
Unrated <sup>2</sup> .....	4,083,635
U.S. government guaranteed <sup>3</sup> .....	6,507,224
<b>Total.....</b>	<b>\$ 17,708,708</b>

1. The S&P rating represents all the securities that fall within subcategories of the ratings shown in this table. For example, a security with a rating of A+ is shown as a rating of A in this table.
2. 'Unrated' securities include \$1,793,972 in collective trust funds and \$1,102,725 in PSERS Short-Term Investment Fund assets.
3. Represents securities issued by the U.S. government and agency obligations explicitly guaranteed by the U.S. government and not considered to have credit risk.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The Statutory Liquidator Fund fixed income securities at June 30, 2020, which are exposed to credit risk, are rated as follows:

<b>Moody's Investors Service</b>	<b>Amount</b>
Aaa .....	\$ 36,944
Aa .....	4,320
A .....	15,163
Baa .....	32,887
Ba .....	2,609
B .....	560
Caa .....	51
Ca .....	4,618
<b>Moody's Investors Service subtotal</b> .....	<b>97,152</b>
<b>Standard and Poor's</b>	
AAA .....	4,118
AA .....	95,922
A .....	12,702
BBB .....	15,382
BB .....	197
CCC .....	1,815
D .....	328
<b>Standard and Poor's subtotal</b> .....	<b>130,464</b>
<b>Fitch Ratings</b>	
BBB .....	79
<b>Fitch Ratings subtotal</b> .....	<b>79</b>
<b>Rated subtotal</b> .....	<b>227,695</b>
<b>Unrated subtotal</b> .....	<b>299,752</b>
<b>Total fixed income investments</b> .....	<b>\$ 527,447</b>

The \$527,447 exceeds the total of investments reported in the Statutory Liquidator Statement of Fiduciary Net Position as it also includes certain investments included within the cash with fiscal agents and other assets classifications.

**Interest Rate Risk:** Interest rate risk is the risk that an investment’s value will change, advantageously or adversely, due to a change in the absolute value of interest rates. The Treasury Department measures interest rate risk using duration. To limit Treasury’s exposure to fair value losses arising from rising interest rates, Treasury’s long-term asset allocation diversifies its fixed income core segment between intermediate duration and longer duration strategies. Duration is a measure of an investment’s sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. Treasury measures interest rate risk using option-adjusted duration, which takes into account embedded options affecting cash flows. Other investing organizations use less sophisticated measurements to manage interest rate risk; several limit the maximum term-to-maturity of investment purchases. Further, to avoid interest rate risk, the other organizations deliberately hold a given percentage of total investments in very short-term securities to avoid the potential need to sell such securities at a loss.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

At June 30, 2020, Treasury and other investing organizations' fixed income portfolio, excluding Statutory Liquidator Fund and Tuition Account Investment Program, had the following option-adjusted durations (in years) by investment type:

Investment Type	Amount of Securities with Duration	Option-Adjusted Duration	Amount of Securities with no Duration	Total
Asset backed securities	\$ 301	2.860	\$ 3,779	\$ 4,080
Certificates of deposit	389,359	0.213	27,000	416,359
Commercial paper	6,428,517	0.183	82,859	6,511,376
Corporate obligations	904,607	5.127	13,052	917,659
Money market	3,378,258	0.080	17,986	3,396,244
Mortgage-backed securities	258,782	3.461	171	258,953
Mutual funds	—	—	2,533,912	2,533,912
Preferred securities	7,071	4.091	1,201	8,272
Private placements	177,896	4.353	3,517	181,413
Securities lending collateral pool	377,327	0.083	—	377,327
Sovereign debt obligations	51,269	0.624	—	51,269
State and municipal obligations	4,253	7.162	—	4,253
U.S. government sponsored enterprises	353,284	0.175	—	353,284
U.S. Treasury obligations	992,830	12.692	—	992,830
<b>Total</b>	<b>\$ 13,323,754</b>		<b>\$ 2,683,477</b>	<b>\$ 16,007,231</b>

Neither the Statutory Liquidator Fund nor the Tuition Account Investment Program use option-adjusted duration as a means of managing interest rate risk; the following provides segmented time distribution for the Statutory Liquidator Fund:

Investment Type	Matured	No Maturity Date	Matures in less than 1 Year	Matures in 1 to 5 Years	Matures in 6 to 10 Years	Matures in 11 to 20 Years	Matures in 21 to 30 Years	Matures in 31 to 40 Years	Matures after 40 Years	Total
Alternative investments	\$ —	\$ —	\$ 203	\$ 5,220	\$ 1,662	\$ 475	\$ 2,438	\$ —	\$ —	\$ 9,998
Asset backed securities	—	—	—	3,998	121	146	—	—	—	4,265
Cash & equivalents	—	12,196	—	—	—	—	—	—	—	12,196
Commonwealth investment program	—	94,805	—	—	—	—	—	—	—	94,805
Corporate obligations	—	—	3,601	22,199	18,376	5,391	5,311	745	948	56,571
Equities	—	59	—	—	—	—	—	—	—	59
Money markets	49	81,681	—	—	—	—	—	—	—	81,730
Mortgage-backed securities	166	—	11	1,884	2,358	7,164	11,966	2,412	—	25,961
Mutual funds	—	85,131	—	—	—	—	—	—	—	85,131
Preferred securities	—	714	—	—	—	—	—	—	—	714
Private placements	—	27,027	—	2,130	1,373	3,333	1,987	—	250	36,100
Sovereign debts	—	—	411	4,542	1,021	508	279	—	111	6,872
State and municipal obligations	—	—	—	594	1,594	3,922	1,036	752	—	7,898
U.S. government agencies	—	—	—	353	115	—	—	—	—	468
U.S. Treasury obligations	—	—	69,161	28,069	7,449	—	—	—	—	104,679
<b>Total</b>	<b>\$ 215</b>	<b>\$ 301,613</b>	<b>\$ 73,387</b>	<b>\$ 68,989</b>	<b>\$ 34,069</b>	<b>\$ 20,939</b>	<b>\$ 23,017</b>	<b>\$ 3,909</b>	<b>\$ 1,309</b>	<b>\$ 527,447</b>

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

Within the Tuition Account Investment Program, the following mutual funds are exposed to interest rate risk:

	Amount	Average Duration	Average Effective Maturity
Vanguard Total Bond Market II Index Fund Institutional Shares.....	\$ 829,391	6.4 years	8.3 years
Vanguard Total Bond Market Index Fund Institutional Shares.....	29,337	6.5 years	8.4 years
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares.....	81,627	2.6 years	2.7 years
Vanguard Total International Bond Index Fund Institutional Shares.....	372,750	8.4 years	10.0 years
Vanguard Federal Money Market Fund.....	12,547	N/A	56 days

Based on specific investment objectives, the pension trust funds may expose themselves to greater interest rate risk than Treasury or other investing organizations. Several investment choices, which may be selected by the DCP participants, including the Short-Term Investment Fund, the Stable Value Fund and the U.S. Bond Index Fund, include a variety of fixed income securities. Each pension trust fund uses option-adjusted duration (in years) as a measure of interest rate risk, as follows:

SERS' Defined Benefit Plan Investment Type	Amount	Option-Adjusted Duration
Asset and mortgage backed securities.....	\$ 626,387	3.10
Commingled investments funds.....	559,587	3.50
Corporate obligations.....	827,058	6.40
Sovereign debt obligations.....	231,729	9.00
Short-term investments.....	38,250	n/a
Treasury investment pool.....	1,623,574	0.10
U.S. Treasury obligations.....	2,104,363	7.40
U.S. government sponsored enterprises.....	22,680	6.70
U.S. private placements.....	574,845	4.40
<b>Total</b> .....	<b>\$ 6,608,473</b>	

The SERS' Defined Contribution Plan is exposed to interest rate risk through investment in the Commonwealth Treasury Department's STIF, which had a duration of approximately one month at December 31, 2019. The plan had \$4,434 in STIF as of December 31, 2019. The plan also has indirect exposure to interest rate risk through commingled fixed income funds, which have an average duration of approximately 5.6 years at December 31, 2019. The cumulative balance of these funds was \$150 as of December 31, 2019.

DCP Investment Type	Amount	Option-Adjusted Duration
Collective investment funds.....	\$ 443,217	5.90
Treasury investment pool.....	86,265	0.10
<b>Total</b> .....	<b>\$ 529,482</b>	

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

PSERS Investment Type	Amount	Option-Adjusted Duration
Domestic asset-backed and mortgage-backed securities	\$ 1,460,459	1.00
U.S. government and agency obligations	3,128,446	6.70
Domestic corporate and taxable municipal bonds	4,851,308	13.20
International fixed income	234,983	2.20
Collective trust funds	1,793,972	3.10
PSERS Short-Term Investment Fund	5,860,977	0.10
Other Short-term assets	378,563	0.10
<b>Total</b>	<b>\$ 17,708,708</b>	

Fixed income investment managers enter into futures contracts to adjust the durations of their portfolios as a whole. In total, futures contracts have adjusted the PSERS' total portfolio duration upward by 0.1 at June 30, 2020.

**Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Treasury Department's policy requires all investments to be denominated in U.S. dollars, issued under U.S. laws and regulations, designed for U.S. investors, and traded in U.S. markets. Investment managers may trade in foreign currencies if investments will be returned to U.S. dollars. The Treasury amounts invested, by currency, are as follows:

Foreign Currency	Equities	Preferred Securities	Total
Australian dollar	\$ 12,331	\$ —	\$ 12,331
British pound sterling	26,242	—	26,242
Canadian dollar	19,061	—	19,061
Colombian peso	116	51	167
Danish krone	4,454	—	4,454
Euro currency unit	53,870	1,119	54,989
Hong Kong dollar	27,647	—	27,647
Hungarian forint	192	—	192
Indonesian rupiah	1,574	—	1,574
Israeli shekel	224	—	224
Japanese yen	46,383	—	46,383
Malaysian ringgit	2,186	—	2,186
Mexican peso	1,309	—	1,309
New Zealand dollar	745	—	745
Norwegian krone	460	—	460
Philippines peso	858	—	858
Singapore dollar	2,984	—	2,984
South African rand	3,061	—	3,061
Swedish krona	5,534	—	5,534
Swiss franc	19,797	—	19,797
Thailand baht	832	—	832
Turkish lira	277	—	277
<b>Total</b>	<b>\$ 230,137</b>	<b>\$ 1,170</b>	<b>\$ 231,307</b>

Within the Tuition Account Investment Program, equities of \$959,997 are exposed to foreign currency risk.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

Each pension trust fund is exposed to foreign currency risk as part of meeting specific investing objectives or allocations among different classes of investments. The SERS' Defined Contribution Plan has indirect foreign currency exposure through target date funds and the Global Non-U.S. Stock Index Fund, which is classified as a commingled public equity fund. Target date funds are diversified across global asset classes, with allocations changing over the funds' investment horizon. The funds include varying degrees of international equity and fixed income as part of their allocations. The Global Non-U.S. Stock Index Fund tracks the performance of the MSCI All Country World Index (ACWI) ex-U.S. index, which is made up of non-U.S. stocks from 23 developed markets and 26 emerging markets. The SERS' Defined Benefit Plan is exposed to foreign currency risk primarily for equity securities at December 31, 2019 as follows:

Foreign Currency	Short-Term Investments <sup>1</sup>	Fixed Income	Common & Preferred Stocks	Other Investments	Real Estate	Private Equity	Total
European euro .....	\$ 9,780	\$ 27,673	\$ 260,145	\$ (7,580)	\$ 196,417	\$ 197,863	\$ 684,298
British pound sterling ..	370	36,123	194,129	31,866	—	—	262,488
Swiss franc .....	6,721	—	120,476	(5,084)	—	—	122,113
Japanese yen .....	528	—	109,035	3,749	—	—	113,312
Australian dollar .....	54	12,099	72,185	9,669	—	—	94,007
Swedish krona .....	(3)	—	17,613	11,315	—	63,413	92,338
Hong Kong dollar .....	53	—	64,651	—	—	—	64,704
South Korean won .....	1,229	—	44,417	11,976	—	—	57,622
Canadian dollar .....	177	4,692	52,481	(1,858)	—	—	55,492
Danish krone .....	1,340	—	50,993	273	—	—	52,606
Mexican peso .....	173	25,442	21,466	(1,967)	461	—	45,575
Norwegian krone .....	89	—	18,504	10,393	—	—	28,986
Indonesian rupiah .....	175	7,746	17,826	1,868	—	—	27,615
New Taiwan dollar .....	17	—	23,916	—	—	—	23,933
Chilean peso .....	—	—	—	13,662	—	—	13,662
New Zealand dollar .....	80	—	4,118	8,518	—	—	12,716
Polish zloty .....	220	8,783	814	1,756	—	—	11,573
Malaysian ringgit .....	100	9,786	422	—	—	—	10,308
Brazilian real .....	1,141	8,931	—	—	—	—	10,072
Columbian peso .....	250	9,170	—	—	—	—	9,420
Thai baht .....	7	—	5,355	(4)	—	—	5,358
Turkish lira .....	—	—	4,918	—	—	—	4,918
Other currencies (8) .....	1,648	9,092	7,941	(2,135)	—	—	16,546
<b>Total .....</b>	<b>\$ 24,149</b>	<b>\$ 159,537</b>	<b>\$ 1,091,405</b>	<b>\$ 86,417</b>	<b>\$ 196,878</b>	<b>\$ 261,276</b>	<b>\$ 1,819,662</b>

1. Includes receivables and payables as of December 31, 2019 for securities sold and purchased.

One of several investing choices that may be selected by the DCP participants is the International Company Stock Index Fund, which is a collective investment fund that invests in international stocks in the European, Australian, and Far East Markets and is managed by an external manager. The fund within the DCP seeks to track the more than 1,000 foreign stocks representing established companies in 21 countries located in Western Europe and the Pacific Rim. Since the International Company Stock Index Fund is a collective investment fund, the DCP is indirectly exposed to foreign currency risk through those underlying securities.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The PSERS is exposed to foreign currency risk for equity and other securities as follows:

Foreign Currency	Equities	Fixed income	Alternative Investments and Real Estate	Short-term <sup>1</sup>	Currency Hedge	Total
Euro .....	\$ 906,217	\$ 2,736	\$ 1,271,920	\$ 10,176	\$ (1,133,942)	\$ 1,057,107
British pound sterling .....	579,707	—	370,813	1,722	(482,623)	469,619
Taiwan new dollar .....	178,654	—	—	54	—	178,708
Hong Kong dollar .....	284,314	—	—	1,552	(145,464)	140,402
South Korean won .....	110,125	—	—	180	143	110,448
Indian rupee .....	109,836	—	—	178	—	110,014
Canadian dollar .....	472,314	—	—	2,431	(372,535)	102,210
Japanese yen .....	897,488	10,070	—	10,648	(816,316)	101,890
Danish krone .....	128,474	—	—	3,801	(56,188)	76,087
Other currencies .....	968,703	103,812	6,627	10,534	(814,011)	275,665
<b>Total</b> .....	<u>\$ 4,635,832</u>	<u>\$ 116,618</u>	<u>\$ 1,649,360</u>	<u>\$ 41,276</u>	<u>\$ (3,820,936)</u>	<u>\$ 2,622,150</u>

1. Includes investment receivables and payables.

**Securities Lending Program**

The Treasury Department provides a securities lending program in which the various investments under custody of the Treasury Department participate. A contract between the Treasury department and its custodian, acting as a lending agent, provides that the custodian lends securities owned by the participants to independent brokers, dealers and banks, acting as borrowers in exchange for collateral.

Lending agreements between the custodian and the borrowers require that the custodian receive collateral from the borrowers in exchange for the securities lent. Securities lent consist of both domestic and foreign equity and fixed income securities. For securities lent which are not denominated in U.S. dollars or whose primary trading market is located outside the U.S., the fair value of collateral received must be at least 105% of the fair value of the securities lent. For all other securities lent, the fair value of the collateral received must be at least 102%. Practically all collateral received consists of cash. A small portion of collateral received consists of letters of credit, U.S. Treasury, corporate and/or foreign debt obligations. Collateral is marked-to-market daily. Additional collateral from borrowers is required if the fair value of the collateral received declines below lending agreement requirements. The lending agent cannot pledge or sell collateral securities received unless the borrower defaults. Accordingly, neither collateral securities received from borrowers nor the related obligation to borrowers are reported.

To the extent collateral received consists of cash, the lending agent invests the cash in accordance with reinvestment guidelines approved by the Treasury Department. At June 30, 2020, 100% of the collateral was invested in overnight U.S. Government repurchase agreements. Either the lender or the borrower may terminate the loan on demand. Loans are typically of very short duration, usually overnight. The duration of lending agreements do not match the maturities of the investments made with the cash collateral. The resulting rate risk is mitigated by the lending agent’s ability to reallocate loans among program participants.

The program requires that the lending agent indemnify the Treasury Department for all claims, liabilities and costs resulting from the lending agent’s negligence or intentional misconduct. During the fiscal year ended June 30, 2020, there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default and there were no Treasury Department restrictions on the amount of the loans that could be made.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

At June 30, 2020, the total fair value of the securities lent, along with the type of investments lent, were as follows:

<b>Fund/Organization</b>	<b>Total Securities Lent</b>	<b>U.S. Treasury Obligations</b>	<b>U.S. Government Sponsored Enterprises</b>	<b>Corporate Obligations</b>	<b>Equities</b>	<b>Exchange Traded</b>
State Employees' Retirement System....	\$ 684,260	\$ 32,757	\$ 1,012	\$ 10,086	\$ 640,244	\$ 161
Public School Employees' Retirement System.....	94	—	—	—	94	—
Underground Storage Tank Indemnification Fund.....	11,137	8,564	—	1,462	—	1,111
Workers' Compensation Security Trust Fund.....	35,144	10,313	—	5,098	—	19,733
<b>State Workers' Insurance Fund.....</b>	<b>16,976</b>	<b>7,351</b>	<b>—</b>	<b>9,625</b>	<b>—</b>	<b>—</b>
Other Postemployment Benefits Investment Pool.....	103,607	—	—	—	—	103,607
Commonwealth Investment Program....	44,485	3,074	—	523	3,837	37,051
<b>Tuition Payment Fund.....</b>	<b>148,563</b>	<b>7,759</b>	<b>—</b>	<b>878</b>	<b>4,026</b>	<b>135,900</b>

**Public School Employees' Retirement System (PSERS)**

The PSERS participates in a securities lending program with a third party agent. Under this program, the lending agent loans securities (equities, fixed income, and money market instruments) to independent brokers and dealers in exchange for U.S. dollar cash collateral in an amount not less than 102% of the fair value of any securities loaned. Collateral is marked-to-market daily. If the fair value of the collateral held falls below the minimum guidelines for securities loaned, additional collateral is obtained. The lending agent invests the cash collateral in accordance with reinvestment guidelines approved by the PSERS.

As of June 30, 2020, the PSERS had no credit risk exposure to borrowers because the amounts the PSERS owed the borrowers exceeded the amounts the borrowers owed the PSERS. Under the securities lending program, the lending agent provides indemnification to the PSERS if a borrower fails to return borrowed securities (and the collateral is inadequate to replace the loaned securities) or fails to pay income distributions on them. The lending agent also provides indemnification to the PSERS if investment of cash collateral results in investment loss. There were no losses during the fiscal year ended June 30, 2020 resulting from a default of the borrowers or the lending agent. All securities loans can be terminated on demand by either the PSERS or the borrower, although the average term of the loan is one day. There were no term loans as of June 30, 2020.

Cash collateral is invested in a short-term collateral investment pool that is managed by the lending agent, is segregated from all other clients of the lending agent, and is not subject to custodial credit risk. The PSERS' income from securities lending represents its pro-rata share from participating in the program. The weighted-average maturity of the investments in the pool was one day at June 30, 2020. During the fiscal year ended June 30, 2020, the mismatch between the maturities of the investments made with cash collateral and the maturities of the securities loans may have posed some interest rate risk to the PSERS. In the event of a default, the lending agent may use the collateral to replace the loaned securities. As of June 30, 2020, the fair value of loaned securities was \$4,406,850. The fair value of the associated collateral was \$4,491,237, all of which was cash.

**Derivative and Other Similar Investments**

**State Employees' Retirement System (SERS)**

Within narrowly prescribed guidelines, the SERS' Defined Benefit Plan permits investment managers to enter into certain derivative and structured financial instruments primarily to hedge risk and reduce the volatility of its portfolio. Typically, investment managers enter into foreign exchange contracts to make payment for international investments and to hedge currency risk, futures contracts to manage interest rate risk, and swaps to more efficiently gain investment exposure in the equity and credit markets.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

SERS also indirectly holds derivatives and financial instruments through commingled fund and hedge fund managers in the Defined Benefit Plan and Defined Contribution Plan. At a fund level, these managers hold foreign exchange contracts, futures contracts, and certain swap contracts. These funds invest in instruments directly and indirectly to gain foreign exchange exposure, to synthetically create equity-like returns, and to manage interest rate risk by altering the average life of the portfolio. Derivatives are viewed within the context of the fund’s total portfolio and are consistent with the funds’ overall strategy.

The SERS is exposed to counterparty credit risk on all open derivative positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of December 31, 2019, the SERS’ counterparty credit risk was not significant. The SERS mitigates its legal risk on investment holdings including derivatives by ensuring that all of its legal requirements (indemnification, sovereign immunity, jurisdiction, etc.) are acknowledged and agreed to in all of the derivatives agreements to which they are subject.

Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed upon price and settlement date. The investment manager uses these contracts primarily for its international investments to settle pending trades that occur more than two business days after trade date. The contracts are used by the investment manager for the purpose of eliminating foreign exchange risk. As a matter of policy, the investment managers enter into these contracts at their full discretion to protect currency fluctuations. To reduce the risk of counterparty nonperformance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The unrealized gain/loss on contracts is included in the SERS net position and represents the fair value of the contracts on December 31. At December 31, 2019, the SERS Defined Benefit had contracts to purchase and sell, by major foreign currency, as follows:

Foreign Currency	Purchase Contracts	Unrealized Gain/ (Loss)	Sell Contracts	Unrealized Gain/ (Loss)
British pound sterling	\$ 38,601	\$ 944	\$ 6,736	\$ (160)
Chilean peso	13,662	(116)	—	—
Norwegian krone	13,105	440	2,711	51
European Euro	13,016	142	20,597	(225)
South Korean won	11,976	296	—	—
Swedish krona	11,315	256	—	—
Australian dollar	10,750	229	1,081	(17)
New Zealand dollar	8,518	420	—	—
Czech koruna	3,913	142	—	—
Japanese yen	3,844	21	95	—
Polish zloty	3,142	55	1,386	(52)
Russian ruble	2,646	80	—	—
Indonesian rupiah	1,868	55	—	—
Mexican peso	1,041	33	3,008	(92)
Canadian dollar	597	13	2,455	(34)
Danish krone	273	3	—	—
South African rand	—	—	8,694	(567)
Swiss franc	—	—	5,084	(78)
Thai baht	—	—	4	—
<b>Total</b>	<b>\$ 138,267</b>	<b>\$ 3,013</b>	<b>\$ 51,851</b>	<b>\$ (1,174)</b>

Swap agreements provide for periodic payments between parties based on the change in value of underlying assets, indexes, rates, and credit worthiness. The SERS uses contracts with multiple counterparties as well as collateral posting requirements to manage its counterparty credit risk. Credit default swaps are agreements with counterparties to either purchase or sell credit protection. The SERS managers use credit default swaps to either increase or decrease credit exposure to certain credit markets. Interest rate swaps are over-the-counter contracts that allow counterparties to exchange a fixed rate liability for a floating rate liability or vice versa. The SERS managers use interest rate swaps as a cost-effective way of gaining exposure to certain sectors of the fixed income market. The SERS’ exposure to swap agreements was not significant at December 31, 2019.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

**Deferred Compensation Program (DCP)**

The DCP, through investments in collective investment funds trustee by The Bank of New York Mellon (BNY Mellon) and managed by employees of Mellon Capital Management Corporation (Mellon)(in their capacities as dual officers of BNY Mellon), indirectly holds certain derivative financial instruments. The derivatives most commonly used by Mellon include currency forwards, futures, options, and swaps. BNY Mellon may take long or short positions in derivative instruments for various purposes. The DCP exposure to these instruments was not significant as of December 31, 2019.

The collective investment funds that the DCP is invested in currently utilize stock index futures and currency forwards. These instruments are used in the investment management of the collective funds to the extent that their use is consistent with the specific collective fund’s objective. Derivatives are viewed within the context of the collective fund’s total portfolio. Mellon has instituted policies and procedures designed to ensure that derivative transactions are in keeping with the overall strategy and that such transactions are properly reviewed and monitored.

Mellon may take long or short positions in derivative instruments for, but not limited to, the following purposes: to create or hedge required exposure; to create or hedge model-driven recommended exposure; as an adjustment to asset exposures within the parameters set in the collective fund’s investment instructions and guidelines; to achieve transactional efficiency; to adjust the duration of a fixed income portfolio; if applicable, to achieve the appropriate degree of leverage, as stated in the collective fund’s investment instructions and guidelines; and to facilitate meeting the collective fund’s objectives.

**Public School Employees’ Retirement System (PSERS)**

The PSERS enters into a variety of financial contracts, which include options and futures. The PSERS also enters into foreign exchange positions, such as forward and spot contracts to obtain or hedge foreign currency exposure; swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMOs); other forward contracts, and U.S. Treasury strips. The PSERS is not a dealer, but an end user of these instruments. The contracts are used primarily to enhance performance and/or reduce the volatility of the portfolio. The PSERS is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The PSERS generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The PSERS is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of PSERS’ involvement in the various types and uses of derivative financial instruments and do not measure the PSERS’ exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The following table summarizes the aggregate notional or contractual amounts for the PSERS’ derivative financial instruments at June 30, 2020:

<b>Type of Derivative</b>	<b>Notional Value</b>
Futures contracts - long .....	\$ 1,733,693
Futures contracts - short.....	164,678
Foreign exchange forward and spot contracts, gross .....	3,829,825
Swaps - total return type.....	10,631,655

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the PSERS enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the PSERS has the right to access individual pledged securities, it must maintain the amount pledged by substituting

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2020 represent a restriction on the amount of assets available as of fiscal year-end for other purposes.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. The PSERS generally uses exchange listed currency, index, stock, and futures options. PSERS held no option positions at June 30, 2020.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. To reduce the risk of counterparty non-performance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The contracts reported primarily include forwards. The \$3,829,825 of foreign currency contracts outstanding at June 30, 2020 consist of "buy" contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$4,444 and "sell" contracts, which represent U.S. dollar equivalents of commitments to sell foreign currencies of \$3,825,381. The unrealized loss on contracts of \$(14,708) at June 30, 2020, is included in the statement of fiduciary net position and represents the fair value of the contracts.

Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes, or interest rates. During the year ended June 30, 2020, the PSERS entered into total return type swaps. Under the total return type swap arrangements, the PSERS receives the net return of certain equity securities or indexes in exchange for a short-term rate minus a spread or a predetermined fixed charge. The receivable on the total return type swap contracts of \$254,293 at June 30, 2020, is included in the statement of fiduciary net position and represents the fair value of the contracts. The contracts have varying maturity dates ranging from August 31, 2020 to August 31, 2021.

The PSERS also invests in mortgage-backed securities (MBS) such as CMOs and MBS forwards to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of CMOs at June 30, 2020 is \$519,436.

The PSERS invests in U.S. Treasury strips which essentially act as zero coupon bonds and are subject to market volatility from a rise or drop in interest rates.

Through certain collective trust funds, the PSERS also indirectly holds various derivative financial instruments. The collective trust funds invest in futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, and total return swaps; interest-only strips; and CMOs, to enhance the performance and/or reduce the volatility of their portfolios.

**NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES**

**Taxes Receivable:** Taxes receivable, by tax type, reported on the statement of net position at June 30, 2020 consisted of the following:

	Statement of Net Position		
	Governmental Activities		
	Current	Noncurrent	Total
Sales and use.....	\$ 1,012,291	\$ 300,067	\$ 1,312,358
Personal income.....	1,626,824	563,994	2,190,818
Corporation.....	672,334	622,536	1,294,870
Liquid fuels.....	177,706	—	177,706
Inheritance.....	442,550	131,166	573,716
Cigarette.....	56,168	—	56,168
Other.....	36,579	—	36,579
Total.....	<u>\$ 4,024,452</u>	<u>\$ 1,617,763</u>	<u>\$ 5,642,215</u>

Taxes receivable reported on the governmental funds balance sheet and the statement of fiduciary net position at June 30, 2020 consisted of the following:

	Balance Sheet-Governmental Funds				Statement of Fiduciary Net Position		
	General Fund				Motor License Fund	Nonmajor Governmental Funds	Fiduciary Funds
	Expected to be Collected:				Collected by	Collected by	Collected by
	From				August 31, 2020	August 31, 2020	August 31, 2020
	By	through	After	Total	August 31, 2020	August 31, 2020	August 31, 2020
	August 31, 2020	June 30, 2021	June 30, 2021				
Sales and use.....	\$ 936,894	\$ 75,397	\$ 300,067	\$ 1,312,358	\$ —	\$ 84,020	
Personal income.....	1,362,244	264,580	563,994	2,190,818	—	—	
Corporation.....	401,822	270,512	622,536	1,294,870	—	—	
Liquid fuels.....	—	—	—	—	177,706	—	
Inheritance.....	177,902	264,648	131,166	573,716	—	—	
Cigarette.....	56,168	—	—	56,168	—	23,722	
Other.....	4,895	—	—	4,895	—	—	
Total.....	<u>\$ 2,939,925</u>	<u>\$ 875,137</u>	<u>\$ 1,617,763</u>	<u>\$ 5,432,825</u>	<u>\$ 177,706</u>	<u>\$ 107,742</u>	

On the governmental funds balance sheet, the **General Fund** taxes receivable of \$2,492,900 expected to be collected after August 31, 2020 is reported as deferred inflows of resources. The total amount of taxes receivable reported on the governmental funds balance sheet, \$4,024,452 (\$3,815,062 reported in the **General Fund**, \$177,706 reported in the **Motor License Fund**, and \$31,684 reported in nonmajor governmental funds), expected to be collected from July 1, 2020 through June 30, 2021 is also reported as current taxes receivable in governmental activities on the statement of net position. The remaining **General Fund** taxes receivable of \$1,617,763 reported on the governmental funds balance sheet expected to be collected after June 30, 2021 is reported as noncurrent taxes receivable in governmental activities on the statement of net position. All of the revenue associated with the taxes receivable reported in governmental activities on the statement of net position is reported as tax revenue in governmental activities on the statement of activities.

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

Loans Receivable: Loans receivable at June 30, 2020 consisted of the following:

	Governmental Activities		Business-Type Activities	
	General Fund	Commonwealth Financing Authority	Nonmajor Enterprise Funds	
Economic development loans .....	\$ 232,208	\$ 329,087	\$ 86,127	
Volunteer fire, ambulance and rescue company loans .....	—	—	75,527	
Environmental program loans .....	3,042	—	—	
School district loans .....	18,251	—	—	
Other notes and loans .....	110	—	—	
	<u>253,611</u>	<u>329,087</u>	<u>161,654</u>	
Less: allowance for uncollectible amounts .....	(2,719)	(44,919)	(7,088)	
Loans receivable, net .....	<u>\$ 250,892</u>	<u>\$ 284,168</u>	<u>\$ 154,566</u>	

The **General Fund** reported \$46,433 in loans due after June 30, 2021, the **Commonwealth Financing Authority** (a blended component unit) reported \$258,611 in loans due after June 30, 2021, and nonmajor enterprise funds reported \$129,244 in loans due after June 30, 2021.

**Uncollectible Receivables:** On the statement of revenues, expenses, and changes in net position-proprietary funds, the **State Workers' Insurance Fund** reports sales and services net of \$11,792 in uncollectible amounts.

**Governmental Funds Unearned Revenue:** The **General Fund**, the **Motor License Fund**, and several nonmajor special revenue and debt service funds reported unearned revenue. The following chart provides the portion of total receipts which have not yet been earned as revenue as of June 30, 2020:

	General Fund	Motor License Fund	Nonmajor Funds	Total Governmental Funds
Unearned revenue .....	\$ 2,383,044	\$ 25,464	\$ 59,635	\$ 2,468,143

**NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources:** On the statement of net position, governmental activities and business-type activities reported both deferred outflows of resources and deferred inflows of resources at June 30, 2020. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively at June 30, 2020:

	Total Governmental Activities	Total Business-Type Activities
<b>Deferred Outflows of Resources</b>		
Refundings of debt	\$ 38,427	\$ 1,794
Asset retirement obligations	160,246	—
Pension related:		
Contributions subsequent to measurement date	893,617	35,669
Differences between expected and actual experience	181,296	8,002
Changes of assumptions	558,162	24,730
Changes in proportion	252,769	11,933
Differences between employer contributions and proportionate share	29,256	1,391
Other postemployment benefits related:		
Contributions subsequent to measurement date	573,765	26,593
Differences between expected and actual experience	74	—
Net difference between projected and actual earnings on plan investments	22	—
Changes of assumptions	648,479	19,572
Changes in proportion	786,206	67,879
Differences between employer contributions and proportionate share	—	717
<b>Total deferred outflows of resources</b>	<b>\$ 4,122,319</b>	<b>\$ 198,280</b>
<b>Deferred Inflows of Resources</b>		
Refundings of debt	\$ 170,414	\$ 12,285
Pension related:		
Differences between expected and actual experience	107,165	4,345
Net difference between projected and actual earnings on plan investments	1,028,757	45,770
Changes in proportion	214,336	14,311
Differences between employer contributions and proportionate share	20,311	950
Other postemployment benefits related:		
Differences between expected and actual experience	7,589,545	435,980
Net difference between projected and actual earnings on plan investments	21,368	1,051
Changes of assumptions	1,853,961	82,805
Changes in proportion	855,786	48,682
Differences between employer contributions and proportionate share	1	340
<b>Total deferred inflows of resources</b>	<b>\$ 11,861,644</b>	<b>\$ 646,519</b>

On the balance sheet for governmental funds, the **General Fund**, the **Motor License Fund** and several nonmajor special revenue funds reported unavailable revenue as deferred inflows of resources. The following chart provides, per receivable, the amounts expected to be collected after August 31, 2020 which are reported as deferred inflows of resources:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Expected to be collected after August 31, 2020:</b>			
Taxes receivable	\$ 2,492,900	\$ —	\$ 2,492,900
Accounts receivable	448,119	172,564	620,683
Due from Federal Government	239,528	—	239,528
<b>Total deferred inflows of resources</b>	<b>\$ 3,180,547</b>	<b>\$ 172,564</b>	<b>\$ 3,353,111</b>

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

On the statement of net position-proprietary funds, the **Unemployment Compensation Fund**, the **State Workers' Insurance Fund**, the **State Lottery Fund**, the **State Stores Fund**, the **Commonwealth Financing Authority**, (a blended component unit), each respectively a major fund, various nonmajor proprietary funds and the internal service funds reported deferred outflows of resources and deferred inflows of resources at June 30, 2020. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2020:

	Unemployment Compensation Fund	State Workers' Insurance Fund	State Lottery Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total Proprietary Funds	Internal Service Funds
<b>Deferred Outflows of Resources</b>								
Refundings of debt.....	\$ —	\$ —	\$ —	\$ —	\$ 1,750	\$ 44	\$ 1,794	\$ —
Pension related:								
Contributions subsequent to measurement date.....	580	—	3,517	29,354	—	2,218	35,669	3,310
Differences between expected and actual experience.....	120	442	731	6,261	—	448	8,002	688
Changes of assumptions.....	372	1,368	2,259	19,349	—	1,382	24,730	2,125
Changes in proportion.....	164	602	994	8,517	—	1,656	11,933	935
Differences between employer contributions and proportionate share	20	72	119	1,019	—	161	1,391	112
Other postemployment benefits related:								
Contributions subsequent to measurement date.....	201	1,386	2,328	21,508	—	1,170	26,593	1,747
Changes of assumptions.....	295	1,002	1,603	15,650	—	1,022	19,572	1,237
Changes in proportion.....	34,255	—	750	31,598	—	1,276	67,879	1,573
Differences between employer contributions and proportionate share	—	—	—	—	—	717	717	—
<b>Total deferred outflows of resources...</b>	<b>\$ 36,007</b>	<b>\$ 4,872</b>	<b>\$ 12,301</b>	<b>\$ 133,256</b>	<b>\$ 1,750</b>	<b>\$ 10,094</b>	<b>\$ 198,280</b>	<b>\$ 11,727</b>
<b>Deferred Inflows of Resources</b>								
Refundings of debt.....	\$ —	\$ —	\$ —	\$ —	\$ 12,285	\$ —	\$ 12,285	\$ —
Pension related:								
Differences between expected and actual experience.....	65	240	397	3,401	—	242	4,345	374
Net difference between projected and actual earnings on plan investments....	689	2,531	4,180	35,811	—	2,559	45,770	3,934
Changes in proportion.....	144	528	871	7,465	—	5,303	14,311	820
Differences between employer contributions and proportionate share	13	50	82	701	—	104	950	77
Other postemployment benefits related:								
Differences between expected and actual experience.....	6,851	23,291	37,269	344,800	—	23,769	435,980	28,750
Net difference between projected and actual earnings on plan investments....	16	55	89	835	—	56	1,051	68
Changes of assumptions.....	1,276	4,338	6,941	65,823	—	4,427	82,805	5,354
Changes in proportion.....	30,152	8,698	4,007	505	—	5,320	48,682	719
Differences between employer contributions and proportionate share	—	—	—	—	—	340	340	—
<b>Total deferred inflows of resources....</b>	<b>\$ 39,206</b>	<b>\$ 39,731</b>	<b>\$ 53,836</b>	<b>\$ 459,341</b>	<b>\$ 12,285</b>	<b>\$ 42,120</b>	<b>\$ 646,519</b>	<b>\$ 40,096</b>

**NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)**

On the statement of fiduciary net position, the pension (and other employee benefit) trust funds reported deferred outflows of resources and deferred inflows of resources at June 30, 2020. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2020:

<u>Deferred Outflows of Resources</u>	<u>Pension (and Other Employee Benefit) Trust Funds</u>
Pension related:	
Contributions subsequent to measurement date.....	\$ 4,600
Differences between expected and actual experience.....	875
Changes of assumptions.....	2,706
Changes in proportion.....	6,478
Differences between employer contributions and proportionate share.....	4
Other postemployment benefits related:	
Contributions subsequent to measurement date.....	2,544
Changes of assumptions.....	2,103
Changes in proportion.....	4,191
Differences between employer contributions and proportionate share.....	2460
<b>Total deferred outflows of resources.....</b>	<b>\$ 25,961</b>
<u>Deferred Inflows of Resources</u>	
Pension related:	
Differences between expected and actual experience.....	\$ 475
Net difference between projected and actual earnings on plan investments.....	5008
Changes in proportion.....	59
Differences between employer contributions and proportionate share.....	90
Other postemployment benefits related:	
Differences between expected and actual experience.....	48,900
Net difference between projected and actual earnings on plan investments.....	116
Changes of assumptions.....	9,106
Changes in proportion.....	1,119
<b>Total deferred inflows of resources.....</b>	<b>\$ 64,873</b>

**NOTE 4 - CAPITAL ASSETS**

Changes in governmental activities capital assets for the fiscal year ended June 30, 2020 are as follows:

	Balance			Balance
	June 30, 2019	Increases	Decreases	June 30, 2020
<b>Non-depreciable capital assets:</b>				
Land .....	\$ 668,151	\$ 15,749	\$ 169	\$ 683,731
Highway right-of-way .....	2,522,159	87,602	—	2,609,761
General construction in progress .....	1,071,675	246,526	885,591	432,610
Transportation construction in progress .....	4,217,695	2,619,835	2,694,996	4,142,534
Subtotal .....	<u>8,479,680</u>	<u>2,969,712</u>	<u>3,580,756</u>	<u>7,868,636</u>
<b>Depreciable and amortizable capital assets:</b>				
Land improvements .....	1,105,631	28,939	—	1,134,570
Buildings and building improvements .....	8,174,825	920,796	14,853	9,080,768
Machinery and equipment .....	1,797,845	105,615	8,897	1,894,563
Highway infrastructure .....	33,708,646	1,428,010	—	35,136,656
Bridge infrastructure .....	16,889,016	1,021,484	—	17,910,500
Waterway infrastructure .....	33,806	1,520	—	35,326
Infrastructure-other .....	223,067	35,736	—	258,803
Software .....	932,926	85,342	—	1,018,268
Other intangibles .....	200	—	—	200
Subtotal .....	<u>62,865,962</u>	<u>3,627,442</u>	<u>23,750</u>	<u>66,469,654</u>
<b>Less accumulated depreciation and amortization for:</b>				
Land improvements .....	481,919	32,641	—	514,560
Buildings and building improvements .....	3,670,392	183,362	12,072	3,841,682
Machinery and equipment .....	1,214,030	127,713	7,737	1,334,006
Highway infrastructure .....	20,126,070	1,430,040	—	21,556,110
Bridge infrastructure .....	5,163,795	481,666	—	5,645,461
Waterway infrastructure .....	6,388	693	—	7,081
Infrastructure-other .....	99,415	12,683	—	112,098
Software .....	376,565	46,140	—	422,705
Other intangibles .....	200	—	—	200
Subtotal .....	<u>31,138,774</u>	<u>2,314,938</u>	<u>19,809</u>	<u>33,433,903</u>
Total depreciable and amortizable capital assets, net .....	<u>31,727,188</u>	<u>1,312,504</u>	<u>3,941</u>	<u>33,035,751</u>
Total governmental activities capital assets, net .....	<u>\$ 40,206,868</u>	<u>\$ 4,282,216</u>	<u>\$ 3,584,697</u>	<u>\$ 40,904,387</u>

The decreases in construction in progress represent increases to all capital asset classes including non-depreciable assets such as land and highway right-of-way. For the fiscal year ending June 30, 2020, the amount of the decreases to construction in progress that resulted in increases to land and highway right-of-way totaled \$71,793.

**NOTE 4 - CAPITAL ASSETS (continued)**

Depreciation and amortization expense, by function, related to governmental activities capital assets for the fiscal year ended June 30, 2020 is as follows:

	Governmental Activities	
	Capital Assets	
Direction and supportive services.....	\$	62,839
Protection of persons and property.....		135,233
Public education.....		42,685
Health and human services.....		33,052
Economic development.....		2,762
Transportation.....		2,008,125
Recreation and cultural enrichment.....		30,242
Total depreciation and amortization expense.....	\$	<u>2,314,938</u>

Changes in business-type activities capital assets for the fiscal year ended June 30, 2020 are as follows:

	Balance				Balance	
	June 30, 2019	Increases	Decreases		June 30, 2020	
Non-depreciable capital assets:						
Land.....	\$ 230,276	\$ 6,733	\$ —		\$ 237,009	
General construction in progress.....	57,208	62,799	81,740		38,267	
Subtotal.....	<u>287,484</u>	<u>69,532</u>	<u>81,740</u>		<u>275,276</u>	
Depreciable and amortizable capital assets:						
Land improvements.....	108,970	28,484	—		137,454	
Buildings and building improvements.....	479,002	53,525	2,522		530,005	
Machinery and equipment.....	234,425	14,896	8,484		240,837	
Software.....	22,458	5,370	4,454		23,374	
Subtotal.....	<u>844,855</u>	<u>102,275</u>	<u>15,460</u>		<u>931,670</u>	
Less accumulated depreciation and amortization for:						
Land improvements.....	23,822	6,273	—		30,095	
Buildings and building improvements.....	240,646	20,169	809		260,006	
Machinery and equipment.....	147,789	13,135	8,386		152,538	
Software.....	11,957	3,650	4,454		11,153	
Subtotal.....	<u>424,214</u>	<u>43,227</u>	<u>13,649</u>		<u>453,792</u>	
Total depreciable and amortizable capital assets, net.....	<u>420,641</u>	<u>59,048</u>	<u>1,811</u>		<u>477,878</u>	
Total business-type activities capital assets, net.....	<u>\$ 708,125</u>	<u>\$ 128,580</u>	<u>\$ 83,551</u>		<u>\$ 753,154</u>	

**NOTE 4 - CAPITAL ASSETS (continued)**

Construction in progress included in governmental activities capital assets at June 30, 2020 includes project information as follows:

	<b>Project Authorization</b>	<b>Amounts Expended at June 30, 2020</b>	<b>Authorization Available</b>
General construction in progress:			
Capitol Complex.....	\$ 537,118	\$ 69,102	\$ 468,016
Department of Corrections Institutions.....	47,683	20,057	27,626
Educational Institutions.....	249,106	132,904	116,202
Environmental Protection.....	23,962	65	23,897
State Parks and Forests.....	148,069	27,700	120,369
Veterans Homes and Military Armories.....	38,568	10,175	28,393
Department of Human Services Institutions.....	68,201	56,495	11,706
Transportation Facilities.....	213,745	83,931	129,814
Historical and Museum Commission Facilities.....	25,026	12,593	12,433
State Police Facilities.....	30,656	3,462	27,194
Agriculture Facilities.....	1,022	509	513
Department of Labor and Industry.....	15,579	15,543	36
Other.....	520,088	74	520,014
Total general construction in progress.....	<u>1,918,823</u>	<u>432,610</u>	<u>1,486,213</u>
Highway and Bridge Construction in Progress:	8,272,567	4,142,534	4,130,033
Total construction in progress.....	<u>\$ 10,191,390</u>	<u>\$ 4,575,144</u>	<u>\$ 5,616,246</u>

The Commonwealth’s initial valuation of governmental activities capital assets was made as of June 30, 1986 using appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986, governmental activities capital asset acquisitions are reported at cost or, for donations or confiscations, at fair value. At June 30, 2020 the remaining amount of governmental activities capital assets related to the initial June 30, 1986 valuation amounted to \$1,484,161. The initial June 30, 1986 valuation did not include highway, bridge or waterway infrastructure. Such infrastructure was first reported in the June 30, 2002 basic financial statements, retroactive to July 1, 1980.

**NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS**

**Statement of Net Position**

**Internal Balances**

In the statement of net position, reported internal balances of \$(68,348)/\$68,458 for governmental activities/business-type activities differ by \$110 because the **State Workers' Insurance Fund**, an enterprise fund, reports for its fiscal year ended December 31, 2019.

**Fund Financial Statements**

**Interfund Balances**

The composition of governmental and proprietary funds interfund balances reported at June 30, 2020 is as follows, with major fund titles in bold. Aggregate nonmajor governmental funds receivables from other funds and from component units, respectively, amount to \$295,258 and \$6,339; aggregate nonmajor enterprise funds receivables from other funds amount to \$12,895; aggregate internal service funds receivables from other funds and from component units, respectively, amount to \$35,741 and \$95:

Fund Type/Fund <u>Primary Government</u>	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
<b>General Fund</b> .....	\$ 154,116	\$ 145,269	\$ 343,827	\$ 194,135
<u>Special Revenue:</u>				
<b>Motor License Fund</b> .....	5,982	21	123,932	230
Banking Fund.....	1	—	115	—
Milk Marketing Fund.....	—	—	22	—
Workmen's Compensation Administration Fund.....	28	—	354	—
Workers' Compensation Security.....	—	—	4	—
Tobacco Settlement Fund.....	379	—	3,962	—
Public Transportation Trust Fund.....	151,815	—	9,439	—
Gaming Fund.....	851	4,992	17,299	15,000
Environmental Stewardship Fund.....	195	—	327	4,465
Marcellus Shale Fund.....	—	—	6,000	—
Multimodal Transportation Fund.....	79,402	—	59,890	—
Underground Storage Tank Indemnification Fund.....	18,884	—	66	—
Other Funds.....	25,422	—	8,388	5
Special Revenue subtotal.....	282,959	5,013	229,798	19,700
<u>Debt Service:</u>				
PA Infrastructure Investment Authority Redemption Fund.....	—	285	—	—
Debt Service subtotal.....	—	285	—	—
<u>Capital Projects:</u>				
Capital Facilities Fund.....	2,824	1,062	10,689	—
Keystone Recreation, Park and Conservation Fund.....	5,859	—	560	—
Public Transportation Assistance Fund.....	9,598	—	856	—
Capital Projects subtotal.....	18,281	1,062	12,105	—
<u>Enterprise:</u>				
<b>Unemployment Compensation Fund</b> .....	10,946	—	4,990	—
<b>State Lottery Fund</b> .....	19	—	190,604	—
<b>Tuition Payment Fund</b> .....	—	—	34	—
<b>State Stores Fund</b> .....	200	—	20,743	—
<b>Commonwealth Financing Authority</b> .....	93,483	—	672	—
Rehabilitation Center Fund.....	1,453	—	230	—
Philadelphia Regional Port Authority.....	11,425	—	52	—
Other Funds.....	17	—	833	—
Enterprise subtotal.....	117,543	—	218,158	—

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

Fund Type/Fund Primary Government	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
<u>Internal Service:</u>				
Purchasing Fund.....	27,061	94	4,825	2
Manufacturing Fund.....	8,680	1	589	—
Internal Service subtotal.....	<u>35,741</u>	<u>95</u>	<u>5,414</u>	<u>2</u>
<u>Fiduciary - Pension Trust:</u>				
State Employees' Retirement System.....	21,061	70,584	—	—
Deferred Compensation Fund.....	—	—	435	—
Public School Employees' Retirement System.....	8,197	—	926	—
Public School Employees' Retirement System - DC.....	—	—	346	—
Fiduciary - Pension Trust subtotal.....	<u>29,258</u>	<u>70,584</u>	<u>1,707</u>	<u>—</u>
Total primary government.....	<u>\$ 637,898</u>	<u>\$ 222,308</u>	<u>\$ 811,009</u>	<u>\$ 213,837</u>

Discretely Presented Component Units	Due From		Due To	
	Primary Government	Component Units	Primary Government	Component Units
Pennsylvania Turnpike Commission.....	\$ 3,250	\$ —	\$ —	\$ —
Pennsylvania Housing Finance Agency.....	—	591	—	649
Pennsylvania Higher Education Assistance Agency.....	1	—	56	—
Pennsylvania Infrastructure Investment Authority.....	210,387	645	142,728	591
State System of Higher Education.....	3,449	—	1,856	—
Pennsylvania Industrial Development Authority.....	—	—	5	—
Pennsylvania Convention Center Authority.....	—	—	4,992	—
Other component units.....	—	—	2,561	—
Total component units.....	<u>\$ 217,087</u>	<u>\$ 1,236</u>	<u>\$ 152,198</u>	<u>\$ 1,240</u>

The amount of total reported interfund receivables of \$1,078,529 does not agree with total reported interfund payables of \$1,178,284 at June 30, 2020 due to different fiscal year ends and reporting differences for certain funds included in the fund financial statements at June 30, 2020. The amount reported for the Pennsylvania Turnpike Commission, a discretely presented component unit, is reported at its fiscal year ended May 31, 2020; the amounts reported as interfund balances for the State Employees' Retirement System and Deferred Compensation Fund, pension trust funds, the **State Workers' Insurance Fund**, an enterprise fund, and the Pennsylvania Health Insurance Exchange Authority, a discretely presented component unit, are reported at their fiscal years ended December 31, 2019. The following presents a reconciliation of interfund balances reported at June 30, 2020 and those amounts that would have been reported if all funds reported at the same fiscal year-end:

**NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)**

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due from other funds.....	\$ 451,966	\$ 148,975	\$ 28,457	\$ —	\$ 629,398
Due from pension trust funds.....	3,390	4,309	801	—	8,500
Due from component units.....	151,629	95	70,584	1,236	223,544
Due from primary government.....	—	—	—	217,087	217,087
Total.....	<u>\$ 606,985</u>	<u>\$ 153,379</u>	<u>\$ 99,842</u>	<u>\$ 218,323</u>	<u>\$ 1,078,529</u>

**Reported Interfund Receivables**..... \$ 1,078,529

State Employees' Retirement System decrease in receivables from January 1, 2020 through June 30, 2020.....	(61,558)
Deferred Compensation Fund increase in receivables from January 1, 2020 through June 30, 2020.....	3,360
Pennsylvania Turnpike Commission decrease in receivables from June 1, 2020 through June 30, 2020.....	(3,250)
<b>State Workers' Insurance Fund increase in receivables from January 1, 2020 through June 30, 2020</b> .....	151
Interfund receivables reported as taxes receivable and accounts receivable by fiduciary funds.....	104,732
Payroll accrual at June 30, 2020 - receivables attributable to State Employees' Retirement System.....	67,931

**Reconciled Interfund Receivables**..... \$ 1,189,895

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due to other funds.....	\$ 380,928	\$ 219,996	\$ 67	\$ —	\$ 600,991
Due to pension trust funds.....	204,802	3,576	1,640	—	210,018
Due to component units.....	213,835	2	—	1,240	215,077
Due to primary government.....	—	—	—	152,198	152,198
Total.....	<u>\$ 799,565</u>	<u>\$ 223,574</u>	<u>\$ 1,707</u>	<u>\$ 153,438</u>	<u>\$ 1,178,284</u>

**Reported Interfund Payables**..... \$ 1,178,284

State Employees' Retirement System increase in payables from January 1, 2020 through June 30, 2020.....	4,274
Pennsylvania Health Exchange Insurance Authority decrease in payables from January 1, 2020 through June 30, 2020.....	(546)
Deferred Compensation Fund decrease in payables from January 1, 2020 through June 30, 2020.....	(15)
Pennsylvania Turnpike Commission increase in payables from June 1, 2020 through June 30, 2020.....	124
<b>State Workers' Insurance Fund increase in payables from January 1, 2020 through June 30, 2020</b> .....	167
Interfund payables reported as accounts payable by fiduciary funds.....	7,607

**Reconciled Interfund Payables**..... \$ 1,189,895

**Advances - Fund Financial Statements**

At June 30, 2020, the **General Fund** reported advances to other funds of \$8,667. Specifically, this amount has been advanced as follows: \$2,300 to the **State Workers' Insurance Fund (SWIF)**, an enterprise fund; \$2,175 to the **Motor License Fund**, \$3,000 to the Medical Marijuana Program Fund, and \$1,192 to the Gaming Fund, special revenue funds. These amounts have been reported by the respective owing funds as advances from other funds, except for the **SWIF**, which reported an advance of \$2,430 at its fiscal year ended December 31, 2019.

During the fiscal year ended June 30, 2020, the **General Fund** received advances from other funds from two special revenue funds and two enterprise funds to assist with temporary COVID funding relief: \$30,000 from the Underground Storage Tank Indemnification Fund, \$5,000 from the Agricultural Conservation Easement Purchase Fund, \$6,000 from the Volunteer Companies Loan Fund, and \$5,000 from the Pennsylvania Infrastructure Bank Fund. These advances were repaid July 2020.

**NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)**

Other Advances reported as of June 30, 2020 included:

- The Workmen's Compensation Administration Fund to the Uninsured Employers Guaranty Fund (both special revenue funds) in the amount of \$16,500;
- The Workers' Compensation Security Fund, a special revenue fund, to the **General Fund** in the amount of \$165,000, to be repaid by July 1, 2024;
- The Underground Storage Tank Indemnification Fund, a special revenue fund, to the **General Fund** in the amount of \$67,500; and
- The Pennsylvania Infrastructure Bank Fund, an enterprise fund, to the **Motor License Fund** in the amount of \$20,322, of which \$16,695 is expected to be repaid by June 2023 and the remainder by June 2030.

**Transfers**

A summary of transfers reported for the fiscal year ended June 30, 2020 is as follows, with major fund titles in bold. Aggregate nonmajor governmental fund transfers from other funds amounted to \$1,750,032 during the fiscal year ended June 30, 2020; aggregate nonmajor governmental fund transfers to other funds amounted to \$905,561. Aggregate nonmajor proprietary fund transfers from other funds amounted to \$77,695; aggregate nonmajor proprietary fund transfers to other funds amounted to \$5,000.

	Transfers	
	In	Out
<b>Primary Government</b>		
<b>General Fund</b> .....	\$ 508,058	\$ 1,750,401
<u>Special Revenue:</u>		
<b>Motor License Fund</b> .....	28,697	117,596
Banking.....	—	21,000
Workmen's Compensation Administration Fund.....	2,495	—
Tobacco Settlement Fund.....	115,339	—
Public Transportation Trust Fund.....	119,686	30,000
Gaming Fund.....	—	426,055
Environmental Stewardship Fund.....	29,810	35,194
Vocational Rehabilitation Fund.....	47,942	—
Agricultural Conservation Easement Purchase Fund.....	12,167	—
State Farm Products Show Fund.....	5,000	—
Recycling Fund.....	1,000	—
Oil and Gas Lease Fund.....	—	78,550
Hazardous Sites Cleanup Fund.....	18,639	4,000
Marcellus Shale Fund.....	15,000	77,719
Insurance Regulation and Oversight Fund.....	—	7,102
Uninsured Employers Guaranty Fund.....	270	—
State Racing Fund.....	12,442	—
Fish and Boat Fund.....	12,326	1,480
Multimodal Transportation Fund.....	30,000	59,784
Other Funds.....	1,860	6,651
Special Revenue subtotal.....	452,673	865,131
<u>Debt Service:</u>		
Pennsylvania Infrastructure Investment Authority Redemption Fund.....	—	18,501
Capital Debt Fund.....	1,269,912	77
Growing Greener Bond Sinking Fund.....	19,081	—
Water and Sewer Assistance Bond Sinking Fund.....	13,664	—
Water Supply and Wastewater Treatment Sinking Fund.....	3,402	—
Debt Service subtotal.....	1,306,059	18,578

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

Primary Government	Transfers	Transfers
	In	Out
<b>Capital Projects:</b>		
Capital Facilities Fund .....	19,980	101,332
Keystone Recreation, Park and Conservation Fund .....	17	9,343
Growing Greener Bond Fund .....	—	1,595
Water Supply and Wastewater Treatment Fund .....	—	3,400
Public Transportation Assistance Fund .....	—	23,778
Capital Projects subtotal .....	19,997	139,448
<b>Enterprise:</b>		
Unemployment Compensation Fund .....	—	5,152
State Lottery Fund .....	265,500	235,907
State Stores Fund .....	—	189,274
Commonwealth Financing Authority .....	578,909	—
Volunteer Companies Loan Fund .....	—	5,000
Historical Preservation Fund .....	3	—
Philadelphia Regional Port Authority .....	77,692	—
Enterprise subtotal .....	922,104	435,333
Total transfers, fund financial statements .....	3,208,891	3,208,891
Less: net elimination of governmental fund transfers .....	(3,695,662)	(3,695,662)
Total transfers, Statement of Activities .....	<u>\$ (486,771)</u>	<u>\$ (486,771)</u>

Primary Government Transactions with Discretely Presented Component Units

Financial Support Provided to:

Major Discretely Presented Component Units

During the fiscal year ended June 30, 2020 (May 31, 2020 for Pennsylvania Turnpike Commission), the Commonwealth provided financial support to major discretely presented component units, reported by the component units as follows:

State System of Higher Education (appropriations, grants and contracts) .....	\$ 581,890
Pennsylvania Higher Education Assistance Agency (grants) .....	380,229
Pennsylvania Turnpike Commission (capital contributions) .....	161,798
Pennsylvania Housing Finance Agency (program income and fees) .....	48,225
Pennsylvania Infrastructure Investment Authority (grants) .....	32,828

Nonmajor Discretely Presented Component Units

During the fiscal year ended June 30, 2020, the Commonwealth provided financial support to nonmajor component units by appropriations, as follows:

Ben Franklin Technology Development Authority .....	\$ 14,500
Thaddeus Stevens College of Technology .....	18,701
Port of Pittsburgh Commission .....	1,200

Financial Support Provided to the Commonwealth

During its fiscal year ended May 31, 2020, the Pennsylvania Turnpike Commission incurred additional debt in order to provide \$450,000 to the Public Transportation Trust Fund under the statutory provisions of Act 89 of 2013, Act 44 of 2007, and the related Lease and Funding Agreement between the Pennsylvania Turnpike Commission and the Commonwealth. Under the provisions of Act 89 of 2013, the Commonwealth subsequently transferred \$30,000, during the fiscal year, from the Public Transportation Trust Fund to the Multimodal Transportation Fund.

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

**Governmental Activities**

Long-term obligations of the Commonwealth’s governmental activities at June 30, 2020 and changes therein during the fiscal year ended June 30, 2020 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
<b>GENERAL LONG-TERM OBLIGATIONS</b>								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities	2010-18	3.00-5.45%	2039	\$ 134,084,410	\$ 6,238,086	\$ —	\$ 356,671	\$ 5,881,415
Disaster Relief	—	—	—	105,908	—	—	—	—
Land and Water Development	—	—	—	300	—	—	—	—
Nursing Home Loan Development	—	—	—	31,000	—	—	—	—
Volunteer Companies Loan	—	—	—	50,000	—	—	—	—
Vietnam Conflict Veterans Compensation	—	—	—	3,000	—	—	—	—
Water Facilities Loan	—	—	—	11,500	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	14,000	—	—	—	—
Pennsylvania Infrastructure								
Investment Authority	2010-18	3.00-5.00%	2038	35,600	150,370	—	15,460	134,910
Local Criminal Justice	—	—	—	3,000	—	—	—	—
Water Supply and Wastewater Treatment	2010-16	3.00-5.00%	2036	—	32,740	—	2,000	30,740
Growing Greener	2010-18	3.00-5.45%	2039	—	142,764	—	12,619	130,145
Persian Gulf Conflict Veterans Compensation	—	—	—	13,000	—	—	—	—
Refunding Bonds	2004-19	3.00-5.38%	2031	—	5,008,765	—	430,995	4,577,770
Total principal				134,351,718	11,572,725	—	817,745	10,754,980
Unamortized premium on bonds issued				—	923,645	—	176,210	747,435
Unamortized discount on bonds issued				—	(5,605)	—	(366)	(5,239)
Total general obligation bonds payable				\$ 134,351,718	\$ 12,490,765	\$ —	\$ 993,589	\$ 11,497,176
Other General Long-Term Obligations								
Payable From Tax and Other Revenues:								
Installment Purchase Obligations <sup>(1)</sup>					2,257	3,459	1,888	3,828
Capital Lease Obligations <sup>(1)</sup>					94,468	1,145	4,215	91,398
Self-Insurance---Note 8 <sup>(1)</sup>					1,134,181	68,785	124,689	1,078,277
Compensated Absences <sup>(1)</sup>					754,329	586,491	513,498	827,322
Other <sup>(1)(2)</sup>					2,442,003	566,397	474,929	2,533,471
Subtotal					4,427,238	1,226,277	1,119,219	4,534,296
<b>TOTAL GENERAL LONG-TERM OBLIGATIONS</b>					<u>\$ 16,918,003</u>	<u>\$ 1,226,277</u>	<u>\$ 2,112,808</u>	<u>\$ 16,031,472</u>

Totals may not foot due to rounding.

(1) The reported current liability portion of: Installment Purchase Obligations is \$1,397; Capital Lease Obligations is \$4,431; Self-Insurance is \$119,360; Compensated Absences is \$137,295; and Other liabilities is \$505,868.

(2) The beginning balance for Other liabilities was adjusted due to the implementation of GASB 84.

For the fiscal year ending June 30, 2020, there were no additional bond issuances, resulting in no principal "Additions" for the period.

The total "Reductions" of \$993,589 for general obligation bonds payable at June 30, 2020 consists of total principal repayments of \$817,745 plus \$176,210 of bond premium and \$366 of bond discount that were amortized and posted to bond interest expense in the statement of activities. The remaining unamortized premium and discount in the statement of net position at June 30, 2020 is \$747,435 and \$5,239, respectively.

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

The Commonwealth has pledged its full faith and credit for the payment of principal and interest on its general obligation bonds. The **General Fund**, the **Motor License Fund**, the PA Infrastructure Investment Authority Redemption Fund, the Gaming Fund, the Growing Greener Fund, and the Environmental Stewardship Fund transferred amounts to debt service funds for general obligation bond principal and interest payments. During the fiscal year ended June 30, 2020, these funds transferred \$1,126,933, \$103,964, \$18,501, \$18,000, \$1,595, and \$919, respectively, to the Capital Debt Fund. The Capital Debt Fund reported \$1,281,461 (97%) of total Debt Service funds principal and interest expenditures of \$1,325,698. Typically, except for catastrophic loss benefits claims, which are funded by motorist violation fines, general long-term obligations other than general obligation bonds are mostly funded by the **General Fund** and/or the **Motor License Fund**. In specific limited instances a variety of individual funds will fund some obligations. Such instances include capital assets being procured using long-term vendor or other financing. In accordance with the Constitution of Pennsylvania, Section 807 §7 (d), in the event of default on Commonwealth debt; if sufficient funds are not appropriated for the timely payment of debt, the State Treasurer shall apply the first revenues thereafter received applicable to the appropriate fund sufficient to pay the interest and principal amount of the debt, and shall apply those funds to such debt.

Included in "Other" for Other General Long-Term Obligations payable from **General Fund**, **Motor License Fund**, special revenue assessments, and/or other governmental fund tax revenues, investment income and/or escheated property are the following at June 30, 2020:

Workers' compensation security trust claims.....	\$ 366,463
Catastrophic loss benefits claims.....	61,751
Medical Care Availability & Reduction of Error claims - Note 11..	1,047,988
Underground Storage Tank Indemnification claims - Note 11.....	326,600
Public Utility Realty Tax Act (PURTA) liability.....	29,212
State Insurance Fund claims.....	3,315
Restricted receipts liability.....	2,084
Escheated property liability.....	350,383
Pollution remediation liability.....	173,229
Asset retirement obligation.....	172,446
<b>Total</b> .....	<u><u>\$ 2,533,471</u></u>

The Workers' Compensation Security Trust Fund provides for payment of valid claims under the Workers' Compensation Law to individuals whose employers are insured by insolvent insurance carriers. The Catastrophic Loss Benefits Continuation Fund provides specific benefits to qualifying claimants who sustained severe injuries in motor vehicle accidents. The Public Utility Realty Tax Act (PURTA) provides for a tax on utility realty property whereby amounts received during the fiscal year are used as a **General Fund** revenue source. The Act also provides for payment of a majority of the PURTA revenues as a distribution to local taxing authorities during the following fiscal year (normally in October). Such payments are appropriated for expenditure in the following fiscal year and are, therefore, not expendable during the fiscal year the related revenue is received. Escheated property is held in perpetuity for the rightful owner. The liability represents the estimated property that will ultimately be claimed. This property may be claimed without the appropriation process. None of the "Other" amounts included in general long-term obligations at June 30, 2020 are payable with currently expendable available financial resources.

Pollution remediation obligations generally involve groundwater, surface water and/or soil at or adjacent to former manufacturing/industrial locations. Affected landfills have either received specific contaminants and/or are the source of leachate, either on-site or affecting adjacent properties. Contaminants include petroleum, chlorinated and/or polycyclic aromatic hydrocarbons; also, priority pollutant and/or target analyte list metals or lead. Financial responsibility is often coordinated between the Commonwealth, the Federal Environmental Protection Agency and, from time to time, either private responsible or potentially responsible parties. For the fiscal year ended June 30, 2020, the Commonwealth recognized recovery receivables of \$2,292 from private parties. Reported obligation amounts do not include instances, or portions of instances, where specific components of a potential remediation effort are not reasonably estimable as of June 30, 2020. The nature of the remediation activities in such instances is often site assessment, investigation or feasibility studies. Remediation efforts are typically funded through the Hazardous Sites Cleanup Fund or the **Motor License Fund**, both special revenue funds.

Asset retirement obligations reported by the Commonwealth generally involve the removal of buildings, dams, bridges or abandonment of water obstructions and encroachments. Prior to the discontinuance or abandonment of these structures, the

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

Commonwealth has an obligation to remove all or part of the facilities and take other actions as necessary to protect public safety and the environment in accordance with existing Pennsylvania code regulations. The remaining useful life of Commonwealth capital assets associated with asset retirement obligations range from one to 50 years. Reported obligation amounts do not include instances, or portions of instances, where the asset retirement obligations are not reasonably estimable as of June 30, 2020. Obligations are funded by the **General Fund**, Environmental Stewardship Fund, and various capital project funds.

The Commonwealth’s constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$62,549,405 as of August 31, 2020, with net debt outstanding after credit for refunded debt of \$9,571,848.

The following table presents annual principal and interest payments for long-term debt outstanding at June 30, 2020:

	2021	2022	2023	2024	2025	2026-30	2031-35	2036-40	Total
<b>GENERAL OBLIGATION BONDS</b>									
Capital Facilities.....	\$ 603,300	\$ 603,435	\$ 536,074	\$ 496,922	\$ 497,148	\$ 2,733,590	\$ 2,357,681	\$ 625,220	\$ 8,453,370
Disaster Relief.....	—	—	—	—	—	—	—	—	—
Land and Water Development.....	—	—	—	—	—	—	—	—	—
Nursing Home Loan Development.....	—	—	—	—	—	—	—	—	—
Volunteer Companies Loan.....	—	—	—	—	—	—	—	—	—
Vietnam Conflict Veterans Compensation.....	—	—	—	—	—	—	—	—	—
Water Facilities Loan.....	—	—	—	—	—	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	—	—	—	—	—	—
Pennsylvania Infrastructure Investment Authority.....	18,529	18,535	9,680	4,714	4,717	69,534	49,816	3,898	179,423
Local Criminal Justice.....	—	—	—	—	—	—	—	—	—
Water Supply and Wastewater Treatment.....	3,397	3,398	3,389	3,385	2,749	10,118	13,606	1,366	41,408
Growing Greener.....	13,781	13,794	12,604	10,825	10,873	68,126	37,103	10,918	178,024
Persian Gulf Conflict Veterans Compensation.....	—	—	—	—	—	—	—	—	—
Refunding Bonds.....	672,846	655,793	670,886	685,854	617,430	1,973,284	57,034	—	5,333,127
Total Principal and Interest.....	1,311,853	1,294,955	1,232,633	1,201,700	1,132,917	4,854,652	2,515,240	641,402	14,185,352
Less: Interest Payments.....	(488,713)	(446,831)	(404,264)	(363,066)	(322,368)	(1,026,437)	(336,229)	(42,464)	(3,430,372)
Total General Obligation Bonds.....	823,140	848,124	828,369	838,634	810,549	3,828,215	2,179,011	598,938	10,754,980
Other General Long-Term Obligations	768,351	364,067	344,146	334,259	312,273	1,501,911	754,127	155,162	4,534,296
<b>TOTAL GENERAL LONG-TERM OBLIGATIONS.....</b>	<b>\$ 1,591,491</b>	<b>\$ 1,212,191</b>	<b>\$ 1,172,515</b>	<b>\$ 1,172,893</b>	<b>\$ 1,122,822</b>	<b>\$ 5,330,126</b>	<b>\$ 2,933,138</b>	<b>\$ 754,100</b>	<b>\$ 15,289,276</b>

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

The Commonwealth routinely leases various facilities and equipment on an ongoing basis. Some of these lease agreements constitute in-substance purchases (capital leases) whereby the assets being leased are reported as capital assets and the related liabilities are reported as capital lease obligations. In addition, the Commonwealth routinely acquires certain capital assets using installment purchase arrangements. The following is a schedule by fiscal year of future minimum payments due for capital leases and installment purchases, together with the present value of the net minimum lease payments as of June 30, 2020:

Fiscal Year Ending June 30	Capital Lease Obligations	Installment Purchase Obligations
2021.....	\$ 8,814	\$ 1,613
2022.....	8,918	1,428
2023.....	8,737	826
2024.....	8,146	381
2025.....	8,250	—
2026-30.....	42,772	—
2031-35.....	45,002	—
Total minimum lease payments.....	130,639	4,248
Less: amount representing interest.....	(39,241)	(420)
<b>Total Capital Lease and Installment Purchase Obligations.....</b>	<b>\$ 91,398</b>	<b>\$ 3,828</b>

At June 30, 2020, general capital assets included \$197,000 of buildings and \$4,299 of equipment procured by capital leases. A total of \$29,101 in general capital assets have been procured using vendor-financed installment purchase arrangements.

**Refunded Debt Information**

In prior years, the Commonwealth defeased certain general obligation bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. At June 30, 2020, \$1,337,650 of general obligation bonds outstanding that were previously accounted for in the Commonwealth’s financial statements were defeased through advance refunding.

**Other Financing Obligations**

In 2018, the Commonwealth entered into a long-term financing agreement. The term of the agreement is for 29 years with a one time, lump-sum net payment of \$200,000 paid to the Commonwealth. This agreement was securitized with a publicly-offered issuance of certificates of participation on April 26, 2018. Interest will accrue on the principal amount payable by the Commonwealth per the established rates. The semi-annual payments are to be made solely from funds appropriated by the General Assembly, and are not secured by a pledge by the Commonwealth of the Commonwealth’s full faith, credit and taxing power. During the fiscal year ended June 30, 2020, the Commonwealth made annual installment payments for the principal and interest totaling \$3,745 and \$9,518, respectively. The other financing obligation at June 30, 2020 consists of \$197,370 in principal and \$12,520 in unamortized premium.

In 2010, multiple agencies participated in energy audits pursuant to the Guaranteed Energy Savings Act. As a result of the audits, the agencies entered into guaranteed energy saving installment agreements with various vendors to acquire energy-saving improvements. These agreements were financed with issuances of Commonwealth certificates of participation totaling \$114,845. The guaranteed energy savings from the improvements were designed to be sufficient to fund the future installment payments. These certificates are secured and payable by the Commonwealth through the installment agreement arrangements, which are subject to annual appropriations. The certificates are not secured by a pledge of the Commonwealth’s full faith, credit and taxing power. During the fiscal year ended June 30, 2020, the Commonwealth made annual installment payments for the principal and interest totaling \$8,855 and \$3,073, respectively. As of June 30, 2020, total principal remaining on the certificates of participation is \$57,430.

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

The tables for the balances and changes in the certificates of participation balances as of June 30, 2020 and the annual principal and interest payments are as follows:

	Issue Date	Interest Rates	Maturity Dates Through	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
<b>CERTIFICATES OF PARTICIPATION</b>							
Certificates of Participation Payable From Appropriation:							
Series A of 2018.....	2018	3.63-5.85	2046	\$ 201,115	\$ —	\$ 3,745	\$ 197,370
2010 - Multiple Series.....	2010	1.15-7.11	2027	66,285	—	8,855	57,430
Total principal.....				267,400	—	12,600	254,800
Unamortized premium on certificates issued..				13,912	—	1,392	12,520
<b>Total certificates of participation payable.....</b>				<b>\$ 281,312</b>	<b>\$ —</b>	<b>\$ 13,992</b>	<b>\$ 267,320</b>

**CERTIFICATES PAYABLE FROM APPROPRIATION**

For the fiscal year ending June 30,	2021	2022	2023	2024	2025	2026-30	2031-35
Certificates of Participation (Principal and Interest).....	\$ 24,648	\$ 23,812	\$ 24,201	\$ 24,961	\$ 21,766	\$ 80,766	\$ 66,278
Less: Interest payments.....	(12,033)	(11,442)	(10,826)	(10,161)	(9,466)	(39,321)	(31,338)
<b>Total Certificates of Participation.....</b>	<b>\$ 12,615</b>	<b>\$ 12,370</b>	<b>\$ 13,375</b>	<b>\$ 14,800</b>	<b>\$ 12,300</b>	<b>\$ 41,445</b>	<b>\$ 34,940</b>

For the fiscal year ending June 30,	2036-40	2041-45	2046	Total
Certificates of Participation (Principal and Interest).....	\$ 66,282	\$ 66,282	\$ 13,255	\$ 412,251
Less: Interest payments.....	(22,207)	(10,147)	(510)	(157,451)
<b>Total Certificates of Participation.....</b>	<b>\$ 44,075</b>	<b>\$ 56,135</b>	<b>\$ 12,745</b>	<b>\$ 254,800</b>

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

Based on several contractual agreements between the Commonwealth, the City of Philadelphia (City), and the Pennsylvania Convention Center Authority (PCCA), a discretely presented component unit, the Commonwealth is financially obligated for debt service principal and interest payments for certain bonds issued by a public financing authority in connection with the PCCA premises in Philadelphia, Pennsylvania. Total debt service requirements for the bonds at June 30, 2020 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total Other Financing Obligations</u>
2021.....	\$ 19,482
2022.....	19,396
2023.....	19,313
2024.....	12,735
2025.....	12,735
2026-30.....	89,773
2031-35.....	124,424
2036-39.....	103,791
Total principal and interest.....	401,649
Less: interest.....	(188,179)
<b>Total Principal.....</b>	<b>\$ 213,470</b>

Total bond principal and interest payments made during the fiscal year ended June 30, 2020 amounted to \$4,770 and \$13,956, respectively. The debt service was financed by \$14,137 from the City (in the form of an annual service fee), and \$4,589 from the U.S. Treasury (in the form of a Build America Bonds interest subsidy for Series B of the bonds).

Through June 30, 2039, the Commonwealth anticipates that the City will remit \$15,000 each fiscal year to the bond trustee, to be applied first to bond principal and interest payments due during each fiscal year amounting to a total of \$270,000; a total of \$70,747 of Build America Bonds Series B interest subsidy that will be paid to the bond trustee; the bond trustee will apply Debt Service Reserve fund income of \$27,959; and the Commonwealth will appropriate a maximum amount of \$32,944 to be financed by the Gaming Fund under the provisions of Act 53 of 2007 to finance total bond principal and interest payments of \$401,649 at June 30, 2020. Amounts to be financed by the Gaming Fund under the provisions of Act 53 of 2007 are established each fiscal year and will vary based on bond trustee investment income and other amounts due under the bond trust indenture and other contractual agreements. No Gaming Fund payment was required for the fiscal year ended June 30, 2020.

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

**Business-Type Activities**

**Tuition Benefits Payable**

The reported liability for tuition benefits payable of \$1,661,199 of the **Tuition Payment Fund**, an enterprise fund, at June 30, 2020 is based on several actuarial assumptions, including those related to tuition cost increases, investment experience, income from account maintenance fees, and program expenses for the Pennsylvania 529 Guaranteed Savings Plan (GSP). The assumed rate of return on long-term investments is 5.50%.

Changes in tuition benefits payable are as follows:

Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Current Due within One Year	Noncurrent Due after One Year
\$ 1,642,084	\$ 275,334	\$ 256,219	\$ 1,661,199	\$ 311,219	\$ 1,349,980

**Insurance Loss Liability**

The reported insurance loss liability of the **State Workers' Insurance Fund (SWIF)**, an enterprise fund, is primarily based on historical claims experience. One of the assumptions used to determine the reported liability amount includes using a discount rate of 2.0% at December 31, 2019 and December 31, 2018. There is uncertainty as to whether the reported liability will be supported by future claim experience, including payments; this uncertainty must be considered when evaluating the reported insurance loss liability.

For the calendar years ended December 31, 2019 and 2018, the following summary provides information on prior year reported insurance loss liability, incurred claims and payments, and current year reported insurance loss liability.

Year Ended December 31	Prior Year Liability	Incurred Claims		Payments		Current Year Liability
		Current	Prior	Current	Prior	
2019	\$ 1,423,731	\$ 152,707	\$ (60,785)	\$ 33,497	\$ 146,782	\$ 1,335,374
2018	\$ 1,497,470	\$ 191,500	\$ (76,753)	\$ 35,579	\$ 152,907	\$ 1,423,731

The current portion of the total **SWIF** insurance loss liability is \$123,785 and the noncurrent portion is \$1,211,589. Additionally, nonmajor enterprise funds reported a noncurrent insurance loss liability of \$305 at June 30, 2020. Total reported current insurance loss liability amounts to \$123,785 and total noncurrent insurance loss liability amounts to \$1,211,894 at June 30, 2020.

**Compensated Absences Liability**

The reported compensated absences liability for the enterprise funds totaled \$41,080 at June 30, 2020. Of that amount, the liability is primarily owed by the **State Stores Fund** (\$33,393), the **SWIF** (\$1,827), and the **State Lottery Fund** (\$3,143). The following summary provides aggregated information reported for June 30, 2020 compensated absences liabilities; additions and reductions during the fiscal year ended June 30, 2020 and reported compensated absences liabilities at June 30, 2020:

Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
\$ 37,383	\$ 29,242	\$ 25,545	\$ 41,080

The current portion of the total compensated absences liability for enterprise funds is \$6,556; the noncurrent portion is \$34,524.

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Revenue Bonds Payable

Revenue bond obligations of the enterprise funds (including the Philadelphia Regional Port Authority and the Commonwealth Financing Authority, blended component units) at June 30, 2020 and changes during the fiscal year ended June 30, 2020 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2020
<b>REVENUE BONDS PAYABLE</b>							
Philadelphia Regional Port Authority.....	2008	3.00-5.00%	2021	\$ 8,770	\$ —	\$ 4,275	\$ 4,495
Unemployment Compensation Fund.....	2012	1.00-5.00%	2024	511,375	—	511,375	—
Commonwealth Financing Authority.....	2005-20	0.55-6.40%	2042	4,391,860	294,060	412,320	4,273,600
Total principal obligations.....				4,912,005	294,060	927,970	4,278,095
Less: unamortized bond discount.....				(3,330)	—	(179)	(3,151)
Add: unamortized bond premium.....				177,687	12,357	47,465	142,579
<b>TOTAL REVENUE BONDS PAYABLE.....</b>				<b>\$ 5,086,362</b>	<b>\$ 306,417</b>	<b>\$ 975,256</b>	<b>\$ 4,417,523</b>

The following table presents annual principal and interest payments for long-term debt outstanding for revenue bonds for the enterprise funds:

	2021	2022	2023	2024	2025	2026-30	2031-35
Philadelphia Regional Port Authority.....	\$ 4,607	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commonwealth Financing Authority.....	324,179	323,951	322,766	321,506	321,244	1,553,274	1,780,743
Total Principal and Interest.....	328,786	323,951	322,766	321,506	321,244	1,553,274	1,780,743
Less: Interest Payments.....	(192,586)	(185,886)	(178,821)	(171,561)	(164,174)	(708,519)	(476,713)
<b>TOTAL PRINCIPAL OBLIGATIONS.....</b>	<b>\$ 136,200</b>	<b>\$ 138,065</b>	<b>\$ 143,945</b>	<b>\$ 149,945</b>	<b>\$ 157,070</b>	<b>\$ 844,755</b>	<b>\$ 1,304,030</b>

	2036-40	2041-42	Total
Philadelphia Regional Port Authority.....	\$ —	\$ —	\$ 4,607
Commonwealth Financing Authority.....	1,436,539	141,308	6,525,510
Total Principal and Interest.....	1,436,539	141,308	6,530,117
Less: Interest Payments.....	(168,229)	(5,533)	(2,252,022)
<b>TOTAL PRINCIPAL OBLIGATIONS.....</b>	<b>\$ 1,268,310</b>	<b>\$ 135,775</b>	<b>\$ 4,278,095</b>

**NOTE 7 - SHORT-TERM DEBT**

On October 11, 2019, the Commonwealth initiated a Short-Term Investment Agreement (Investment Agreement) between the Treasury Department’s Short-Term Investments Pool (STIP) and the Office of the Budget for \$500,000 to expire on November 1, 2019. On November 1, 2019, an amendment increased the limit to \$1,500,000 and extended the agreement until April 21, 2020. Effective January 2, 2020, a second amendment increased the limit to \$2,000,000. The Investment Agreement is structured as a revolving line of credit, which imposes a market-based rate of return, for the exclusive purpose of providing revenue for the general purposes of the Commonwealth and such other expenses payable from the **General Fund**. The Investment Agreement will provide the benefit, consistent with the public interest, of an alternate means of financing short-term revenue shortfalls and avoids unnecessary costs and fees otherwise associated with traditional short-term bond financing. Advances and repayments occurred throughout the agreement term, with the first advance occurring on October 31, 2020, and the final repayment on April 21, 2020. The maximum amount outstanding during the agreement was \$1,700,000. Altogether, the **General Fund** was advanced and repaid \$5,050,000 in principal. Additionally, per the Investment Agreement the interest calculated of \$7,315 was repaid along with the principal. The Investment Agreement expired on April 21, 2020.

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>
STIP	\$ —	\$ 5,050,000	\$ 5,050,000	\$ —

**NOTE 8 - SELF-INSURANCE LIABILITIES**

The Commonwealth is self-insured for statutory workers’ compensation, which includes indemnity and medical benefits (employee disability), for its employees injured on the job. The Commonwealth is also self-insured for annuitant medical/hospital claims and for tort liability claims. Major tort risks include automobile, employee, and general torts. For property losses, the Commonwealth has a \$2,500 retention with excess commercial insurance coverage up to \$1,000,000 per occurrence. The Commonwealth is also self-insured for claims against the Department of Transportation (transportation claims). The Commonwealth has established various administrative policies that are intended to avoid or limit the aforementioned risks. Accrued liabilities for statutory workers’ compensation and annuitant medical/hospital claims are established based on reserves computed from the Commonwealth’s claim experience; such claims are not discounted and do not include non-incremental claims adjustment expenses.

Accrued liabilities for tort and transportation claims are established based on reserves computed from the Commonwealth’s claim experience; such claims are not discounted and do not include non-incremental claims adjustment expenses. These liabilities include liabilities for allocated claim adjustment expenditures/expenses and include salvage and subrogation. Salvage and subrogation were not material for the fiscal year ended June 30, 2020. No accrued liability has been reported for property losses under self-insurance.

There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2020. No settlements exceeded commercial insurance coverage during any of the past three fiscal years.

At June 30, 2020, none of the \$1,078,277 of accrued self-insurance liabilities for governmental activities were payable from current expendable available financial resources. The governmental activities liabilities are primarily owed by the **General Fund** (\$865,220) and the **Motor License Fund** (\$178,018). Business-type activities liabilities are primarily owed by the **State Lottery Fund** (\$1,620), the **State Workers’ Insurance Fund** (\$873), and the **State Stores Fund** (\$56,053), all enterprise funds. All accrued self-insurance liabilities at June 30, 2020 are summarized as follows:

	<u>Government Activities</u>		<u>Business-Type Activities</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Employee disability.....	\$ 99,317	\$ 851,924	\$ 6,227	\$ 53,425
Automobile tort.....	2,111	7,522	—	—
Employee tort.....	11,856	46,170	—	—
General tort.....	1,068	10,096	—	—
Transportation.....	5,008	43,205	—	—
Totals.....	<u>\$ 119,360</u>	<u>\$ 958,917</u>	<u>\$ 6,227</u>	<u>\$ 53,425</u>

**NOTE 8 - SELF-INSURANCE LIABILITIES (continued)**

The following summary provides aggregated information on June 30, 2019 reported self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2020 and reported self-insurance liabilities at June 30, 2020:

	June 30, 2019	Incurred Claims		Payments		June 30, 2020
	Liability	Current	Prior	Current	Prior	Liability
Employee disability.....	\$ 1,064,946	\$ 90,787	\$ (30,215)	\$ 11,030	\$ 103,595	\$ 1,010,893
Automobile tort.....	9,990	3,023	(580)	912	1,888	9,633
Employee tort.....	51,885	12,121	(186)	265	5,529	58,026
General tort.....	11,675	1,103	(211)	36	1,367	11,164
Transportation.....	58,465	5,788	(9,273)	780	5,987	48,213
Totals.....	<u>\$ 1,196,961</u>	<u>\$ 112,822</u>	<u>\$ (40,465)</u>	<u>\$ 13,023</u>	<u>\$ 118,366</u>	<u>\$ 1,137,929</u>

The following summary provides aggregated information on June 30, 2018 self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2019; and reported self-insurance liabilities at June 30, 2019:

	June 30, 2018	Incurred Claims		Payments		June 30, 2019
	Liability	Current	Prior	Current	Prior	Liability
Employee disability.....	\$ 972,201	\$ 88,552	\$ 113,054	\$ 9,969	\$ 98,892	\$ 1,064,946
Automobile tort.....	11,653	3,472	(1,684)	1,145	2,306	9,990
Employee tort.....	49,283	11,787	(1,737)	158	7,290	51,885
General tort.....	12,820	1,219	(1,538)	48	778	11,675
Transportation.....	57,419	6,488	92	414	5,120	58,465
Totals.....	<u>\$ 1,103,376</u>	<u>\$ 111,518</u>	<u>\$ 108,187</u>	<u>\$ 11,734</u>	<u>\$ 114,386</u>	<u>\$ 1,196,961</u>

**NOTE 9 - PENSION**

**Pension Systems**

Commonwealth laws established contributory pension plans covering substantially all Commonwealth and public school employees. Generally, Commonwealth employees are members of the State Employees’ Retirement System (SERS) and public school employees are members of the Public School Employees’ Retirement System (PSERS). Both the SERS and the PSERS are reported as pension trust funds classified as fiduciary fund component units. The SERS and the PSERS issue stand-alone, audited financial statements which are available at [www.sers.pa.gov](http://www.sers.pa.gov) and [www.psers.pa.gov](http://www.psers.pa.gov), respectively. Written requests for the SERS or PSERS financial statements should be directed to the following addresses:

State Employees’ Retirement System  
30 North Third Street, Suite 150  
Harrisburg, PA 17101-1716

Public School Employees’ Retirement System  
Bureau of Communications  
P.O. Box 125  
Harrisburg, PA 17108-0125

**Total Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Expense - SERS and PSERS**

Below is an aggregation of the total net pension liabilities, deferred outflows of resources, deferred inflows of resources, and net pension expense for both the SERS and PSERS plans.

	<u>SERS</u>	<u>PSERS</u>	<u>Total</u>
Net Pension Liability.....	\$ 15,054,957	\$ 287,853	\$ 15,342,810
Deferred outflows of resources.....	\$ 1,955,402	\$ 41,423	\$ 1,996,825
Deferred inflows of resources.....	\$ 1,425,328	\$ 10,617	\$ 1,435,945
Net Pension expense.....	\$ 2,129,687	\$ 36,442	\$ 2,166,129

**State Employees’ Retirement System - Defined Benefit**

**Plan Description:** The SERS is the administrator of a cost-sharing multiple-employer defined benefit retirement plan established to provide retirement benefits for Commonwealth employees and certain other organizations. At December 31, 2019 there were 102 employer state agencies and other organizations participating in the SERS.

**Retirement Benefits:** Article II of the Pennsylvania Constitution provides the General Assembly the authority to establish and amend plan benefit provisions. The SERS provides retirement, death, and disability benefits. Prior to Act 2010-120 (Act 120), employees who retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. Act 120 preserved all benefits in place for existing members, but mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2% of their final average salary instead of the previous 2.5%. The new vesting period changed from five to 10 years of credited service, and the option to withdraw lump sum accumulated employee contributions was eliminated. The new normal retirement age is 65 for most employees and age 55 for members of the General Assembly and certain employees classified in hazardous duty positions.

Most members of the SERS, and all covered employees hired after June 30, 2001 and prior to January 1, 2011 (except State Police officers and certain members of the judiciary and legislators), are Class AA members, pursuant to Act 2001-9 (Act 9), signed into law on May 17, 2001. Among other things, Act 9 provides for general annual retirement benefits of 2.5% of the member’s highest three-year average salary (final average salary) multiplied by years of service. State police troopers are entitled to an annual benefit equal to a percentage of their highest annual salary (excluding their year of retirement). The annual benefit is 75% of salary for 25 or more years of service and 50% of salary for 20-24.99 years of service. Judges are entitled to a benefit of 4% of final average salary for each of the first 10 years of service and 3% for subsequent years. District

**NOTE 9 - PENSION (continued)**

Justices are entitled to a benefit of 3% of final average salary for each year of service. Legislators taking office before December 1, 2010 are Class D-4, which translates into an annual benefit of 3% of the final average salary for each year of service. The general annual benefit for full retirement for Class A members is 2% of the member's highest three-year salary multiplied by years of service. Act 120 of 2010 created a new A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011 and December 1, 2010 for legislators newly elected in November 2010. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary times years of service while the Class A-4 benefit accrual rate is 2.5%.

Act 2017-5 established two side-by-side hybrid defined benefit/defined contribution benefit options and a defined contribution only option for all state employees, excluding most hazardous duty employees, who first enter SERS membership on or after January 1, 2019. While most hazardous employees are exempt, those starting on or after January 1, 2019 will have a 10% cap on voluntary overtime that is included for retirement covered earnings. Additionally, all current SERS members had a one-time, irrevocable option to select one of the three new retirement benefit options between January 1, 2019 and March 31, 2019. The newly elected option is effective July 1, 2019, and generally will apply to all future service. The new normal retirement age is 67 for most employees. Act 2017-5 provides for general annual retirement benefits of 1.25% (Class A-5) or 1% (Class A-6) of the member's highest five-year average salary multiplied by years of service. The defined benefit portions of both hybrid options are included in the defined benefit plan.

**Contribution Requirements:** Commonwealth law establishes the funding policy for all members' contribution rates. The active plan member contribution rate is 6.25% of covered payroll for employees in Class AA; for Class A members, the contribution rate is 5%. The general membership contribution rate under Act 120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. The active plan member defined contribution rates for hybrid plans A-5 and A-6 are 5% and 4%, respectively. Higher contributions are required for certain members of the General Assembly, judges and district justices who elect higher contribution rates. The SERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll.

Contributions to the SERS defined benefit plan from the Commonwealth, including PRPA (a blended component unit) were \$1,771,080 for the year ended June 30, 2020.

**Summary of Significant Accounting Policies:** The SERS financial statements are prepared on the accrual basis of accounting, whereby expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of the related trade date. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide contributions. Benefits, disbursements, and refunds are recognized when due and payable in accordance with the terms of the plan.

**Investment Valuation:** Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. government securities and corporate and foreign bonds and notes are valued based on matrix pricing. Commingled equity funds and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Private equity, real estate, hedge funds and commingled fixed income funds are reported at fair value as estimated and reported by general partners based upon the underlying net asset value (NAV) of the fund or partnership as a practical expedient of fair value. Adjustments are required when the SERS expects to sell the investment at a value other than NAV.

The investments in short-term funds, including those managed by the Treasury Department, are reported at cost plus allocated interest, which approximates fair value. The securities lending collateral pool, which is a fund operated by the securities lending agent, also is reported at cost plus accrued interest, which approximates fair value.

Unsettled investment sales are reported as investment proceeds receivable and unsettled investment purchases are reported as investment purchases payable. Investment expenses consist of investment managers' fees and those expenses directly related to the SERS' investment operations.

NOTE 9 - PENSION (continued)

**Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2020, the Commonwealth reported a total net pension liability of \$15,054,957 for its participation in the SERS Defined Benefit Plan. The net pension liability attributed to participation in the SERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commonwealth’s proportion of the SERS net pension liability was based on a projection of the Commonwealth’s long-term share of contributions to the pension plan relative to the projected contributions of all participating SERS employers, actuarially determined. At December 31, 2019 the Commonwealth’s reported proportionate share of the SERS net pension liability was 82.82%, which was an increase of 0.25% from its proportion measured as of December 31, 2018. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 82.72% and 12.31%, respectively, of the Commonwealth’s governmental activities pension contributions for the calendar year ended December 31, 2019.

As of June 30, 2020, the Commonwealth recognized a defined benefit pension expense of \$2,129,687, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS (December 31, 2019)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience .....	\$ 187,713	\$ 101,969
Differences between employer contributions and proportionate share .....	30,647	21,065
Net difference between projected and actual earnings on plan investments .....	—	1,073,702
Changes of assumptions .....	580,140	—
Changes in proportion .....	256,412	228,592
Contributions subsequent to measurement date .....	900,490	—
<b>Total .....</b>	<b>\$ 1,955,402</b>	<b>\$ 1,425,328</b>

The \$900,490 reported as deferred outflows of resources related to pensions resulting from Commonwealth contributions to the SERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	SERS (December 31, 2019)
2020 .....	\$ (20,185)
2021 .....	\$ (146,995)
2022 .....	\$ 188,043
2023 .....	\$ (423,674)
2024 .....	\$ 32,395

**Actuarial Assumptions:** Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 18th Investigation of Actuarial Experience study for the period 2011 - 2015 was released in March 2016. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased projected cost, but the overall result was a slight increase to the net pension liability.

Most demographic assumptions remained the same as or similar to experience over the last five years. However, the experience study did recommend changing some assumptions, which are highlighted as follows. The study recommended decreasing disability retirement rates for all active members. Additionally, it recommended adjusting superannuation separation rates, early retirement separation rates, and withdrawal rates for certain active member groupings (gender, age,

**NOTE 9 - PENSION (continued)**

years of service) in both the general and special membership classes. Furthermore, it recommended decreasing most annuitant and survivor mortality rates. The board adopted the actuarial assumptions set forth in the 18th Investigation of Actuarial Experience study at its March 2016 meeting. The study can be viewed at [www.sers.pa.gov](http://www.sers.pa.gov).

The current set of assumptions used in the December 31, 2019 actuarial valuation, with the exception of the discount rate and inflation assumptions, was adopted by the State Employees’ Retirement Board (the Board) based upon actual experience of the SERS during the years 2011 through 2015. In addition to the five-year experience study, the SERS reviews its investment return assumption in light of economic conditions every year as part of its annual valuation.

Actuarial Cost Method	Entry age
Amortization Method	Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.125% net of expenses including inflation
Projected salary increases	Average of 5.60% with range of 3.7% to 8.9% including inflation
Asset valuation method	Fair (market) value
Inflation	2.60%
Mortality Rate	Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	Ad hoc

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class in the SERS current and target asset allocation as of December 31, 2019, are summarized in the following table:

<b>SERS (December 31, 2019)</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Private equity.....	16.00 %	7.25 %
Global public equity.....	48.00 %	5.15 %
Real assets.....	12.00 %	5.26 %
Multi-strategy.....	10.00 %	4.44 %
Fixed income.....	11.00 %	1.26 %
Cash.....	3.00 %	0.00 %
<b>Total.....</b>	<b>100.00 %</b>	

**Discount rate:** The SERS discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, the SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore the long-term expected rate of return on the SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 9 - PENSION (continued)**

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:** The following chart presents the Commonwealth’s proportionate share of the SERS net pension liability using the discount rate of (7.125%), as well as what the Commonwealth’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.125%) or 1 percentage point higher (8.125%) than the current rate.

	1% Decrease (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
SERS (December 31, 2019).....	\$ 19,129,789	\$ 15,054,957	\$ 11,566,421

**Payables to the Pension Plan:** For the fiscal year ended June 30, 2020, the Commonwealth reported an accounts payable for the employer’s share of retirement contributions to the SERS in the amount of \$68,653.

**State Employees’ Retirement System - Defined Contribution**

**Plan Description:** The SERS is the administrator of the State Employees Defined Contribution Plan, an investment plan, which was established as part of Act 2017-5 to provide retirement benefits for employees of state government and certain independent agencies. Enrollment to the investment plan opened January 1, 2019.

**Retirement Benefits:** Act 2017-5 established two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution only option for all state employees, excluding most hazardous duty employees, who first enter SERS membership on or after January 1, 2019. Employees are vested in the defined contribution plan after 3 years. Employees are vested in the defined benefit portion of hybrid plans class A-5 and class A-6 after 10 years. In the hybrid plans, employees who retire at age 67 with three years of service are entitled to a normal annual retirement benefits. Additionally, all current SERS members had a one-time, irrevocable option to select one of the three new retirement benefit options between January 1, 2019, and March 31, 2019. The newly elected option is effective July 1, 2019, and generally will apply to all future service. The fully defined contribution option and the defined contributions portions of both hybrid options are included in a newly established defined contribution plan.

**Contribution Requirements:** Commonwealth law establishes the funding policy for all contribution rates. The active plan member contribution rate is 7.5% of covered payroll for employees participating in the defined contribution plan and the employer defined contribution rate is 2.0%. The active plan member defined contribution rates for hybrid plan Class A-5 is 3.25% (for a total employee contribution rate of 8.25% including the defined benefit rate) and the employer defined contribution rate is 2.25%. The active plan member defined contribution rates for hybrid plan Class A-6 is 3.5% (for a total employee contribution rate of 7.5% including the defined benefit rate) and the employer defined contribution rate is 2.0%.

Pension expense, consisting of contributions to the SERS from the Commonwealth for the defined contribution plan, including PRPA (a blended component unit), was \$4,045 for the year ended June 30, 2020.

**Public School Employees’ Retirement System - Defined Benefit**

**Plan Description:** The PSERS is a cost-sharing multiple-employer defined benefit retirement system established to provide pension and other benefits for public school employee members. At June 30, 2020 there were 772 participating employers, generally school districts. In relation to the PSERS, the Commonwealth is a non-employer contributor organization that recognizes a less than substantial portion of the PSERS collective net pension liability.

**Retirement Benefits:** The PSERS provides retirement, disability retirement, death, and health care benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify

**NOTE 9 - PENSION (continued)**

for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Employees' Retirement Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

**Contribution Requirements:** The Public School Employees' Retirement Code provides that the PSERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll. According to requirements established in Act 29 of 1994, the Commonwealth reimburses school entity employers a portion of the employer contributions paid to the PSERS. All school entity employers are reimbursed by the Commonwealth at least 50% of the total employer contributions based on the total contribution rate. The Commonwealth remits 50% of employer contributions for employers other than school entities directly to the PSERS resulting in a special funding situation.

The contribution rates for active plan memberships started prior to July 1, 2011 are as follows:

- Membership Class T-C and T-D hired before July 22, 1983 are 5.25% and 6.50% of covered payroll, respectively;
- Membership Class T-C and T-D hired after July 21, 1983, the rates are 6.25% and 7.50%, respectively.

The contribution rates for active plan memberships started on or after July 1, 2011 and before July 1, 2019 are as follows:

- Membership Class T-E rates may increase or decrease by 0.5%, but will never go below 5.5% or above 9.5%;
- Membership Class T-F rates may increase or decrease by 0.5%, but will never go below 8.3% or above 12.3%

Contributions to the PSERS from the Commonwealth for the employers other than school entities were \$28,796 for the year ended June 30, 2020.

**Summary of Significant Accounting Policies:** The financial statements of the PSERS are prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Member and employer contributions are recognized in the period for which employees' salaries are reported. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Investment Valuation:** The PSERS' investments are reported at fair value. Fair value is the amount that the PSERS can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale.

Short-term securities are carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities which are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

Directly-owned real estate investments are primarily valued based on appraisals performed by independent appraisers and, for properties not appraised, the present value of the projected future net income stream is used. Real estate owned investments are reported net of related debt borrowed against the market value of the property. As of June 30, 2020 \$132,000 in an open-ended repurchase agreement were netted against the related property valuation. The repurchase agreement is payable at an interest rate equivalent to one month of the LIBOR plus 40 basis points and is collateralized by certain fixed income investments of the PSERS.

Collective trust fund investments (CTF) consist primarily of domestic and international institutional funds. The fair value of CTF is based on the reported share value of the respective fund. CTF are managed by state chartered banks for which various state banking departments have regulatory oversight and investment advisors for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits.

**NOTE 9 - PENSION (continued)**

The fair value of equity real estate, private equity, private debt, and venture capital are determined using the NAV per share (or its equivalent) of the PSERS’ ownership interest in partners’ capital.

**Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2020, the Commonwealth reported a liability of \$287,853 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commonwealth’s proportion of the net pension liability was calculated by dividing the plan’s total covered payroll by the sum of all employers’ covered payroll. The Commonwealth remits directly to the PSERS 50% of the employer contributions for employers other than school entities. At June 30, 2019 the Commonwealth’s proportion was .6153%, which was an increase of .011% from its proportion measured as of June 30, 2018.

As a result of its requirement to contribute to the PSERS, the Commonwealth recognized expense of \$36,442 for the year ended June 30, 2020. At June 30, 2020 the Commonwealth reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to the PSERS:

	<b>PSERS (June 30, 2020)</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience.....	\$ 1,585	\$ 9,541
Differences between employer contributions and proportionate share.....	—	196
Net difference between projected and actual earnings on plan investments.....	—	825
Changes of assumptions.....	2,752	—
Changes in proportion.....	8,290	55
Contributions subsequent to measurement date.....	28,796	—
<b>Total.....</b>	<b>\$ 41,423</b>	<b>\$ 10,617</b>

**Public School Employees’ Retirement System - Defined Contribution**

**Plan Description:** The PSERS is the administrator of the Public School Employees Defined Contribution Plan, an investment plan, which was established as part of Act 2017-5 to provide retirement benefits for public school employees.

**Retirement Benefits:** Act 2017-5 introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 2017-5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service or attain a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are equal to 1.25% (Class T-G) or 1.00% (Class T-H) of the member’s final average salary (as defined in the Pennsylvania Public School Employees’ Retirement Code) multiplied by the number of years of credited service. For Class T-G and Class T-H members, the right to benefits is vested after ten years of service.

**Contribution Requirements:**

The contribution rates for active plan memberships started on or after July 1, 2019 are as follows:

- Membership Class T-G defined contribution rates are 2.75%; Defined benefit rates may increase or decrease by 0.75%, but will never go below 2.5% or above 8.5%;
- Membership Class T-H defined contribution rates are 3.0% Defined benefit rates may increase or decrease by 0.75%, but will never go below 1.5% or above 7.5%
- Membership Class DC defined contribution rates are 7.5%

Pension expense, consisting of contributions to the PSERS from the Commonwealth for the defined contribution plan, was negligible for the year ended June 30, 2020.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Commonwealth of Pennsylvania participates in six postemployment benefit plans other than pensions (OPEB). The Commonwealth participates as an employer in five plans: The Retired Employees Health Program (REHP), the Retired Pennsylvania State Police Program (RPSPP), the Unified Judicial System's Postemployment Medical Plan (Judiciary), Pennsylvania House of Representatives Postemployment Benefits Plan (House), and the Senate of Pennsylvania Other Postemployment Benefits Plan (Senate). The Commonwealth participates as a governmental nonemployer contributing entity in the Public School Employees' Retirement System Health Insurance Premium Assistance Program (Premium Assistance).

**Plan Administration:** The Commonwealth established and sponsors two primary plans which provide postemployment benefits other than pensions (OPEB). These two plans are the REHP and the RPSPP and both are established as trust equivalent arrangements. These two plans are administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator for the REHP and RPSPP under an administrative agreement with the Commonwealth. Both plans are single-employer defined benefit OPEB plans that include Commonwealth agencies and some component units. The REHP is provided as a part of collective bargaining agreements with most Commonwealth labor unions. The RPSPP is provided as a part of collective bargaining agreements with certain Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP and RPSPP fall under the purview of the Commonwealth's Executive Board, Secretary of Administration, and for the RPSPP the collective bargaining agreement with the Pennsylvania State Troopers Association. Neither the REHP nor the RPSPP have a governing board. The REHP offers postemployment healthcare and prescription benefits. The RPSPP offers postemployment healthcare, prescription, vision and dental benefits.

The Judiciary has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Judiciary OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms and authority to pay benefits as they come due for the Judiciary OPEB plan, fall under the purview of the Supreme Court. The Judiciary OPEB plan does not have a governing board. The Judiciary OPEB plan offers postemployment healthcare, prescription, vision, and dental benefits.

The House of Representatives has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the House OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms, and authority to pay benefits as they come due for the House OPEB plan, fall under the purview of the House of Representatives. The House OPEB plan does not have a governing board. The House OPEB plan offers postemployment healthcare, prescription and for certain members vision, dental and long-term care benefits.

The Senate has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Senate OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms, and authority to pay benefits as they come due for the Senate OPEB plan, fall under the purview of the Senate. The Senate OPEB plan does not have a governing board. The Senate OPEB plan offers postemployment healthcare, prescription and for certain members vision and dental benefits.

The Premium Assistance plan is a governmental cost sharing, multiple-employer other postemployment benefit plan for all public school eligible retirees who qualify and elect to participate. The Premium Assistance plan is under the control and management of the Board of Trustees of the Public School Employees Retirement System, including the investment of its assets, and all policy decisions related to types and levels of benefits, and authority to pay benefits as they come due. As of June 30, 2019, there were no assumed future benefit increases to participating members of the Premium Assistance plan.

**Benefits Provided:** Benefit provisions included in the REHP, Judiciary, House, and Senate plans are established and may be amended by the establishing sponsor of the given OPEB plan. The RPSPP, under the terms of the collective bargaining agreement, cannot be amended for existing retirees. The Commonwealth's General Assembly has the authority to amend the benefit terms of the Premium Assistance plan. Each OPEB plan provides postemployment healthcare and prescription benefits to varying degrees. The RPSPP, Judiciary, House and Senate provide specific dental, hearing, vision, and long-term care benefits. RPSPP benefits are provided in accordance with the collective bargaining agreement that was in effect at the time of retirement. The REHP, RPSPP, Judicial, House, and Senate OPEB plans do not issue stand-alone financial reports and are not included in the financial statements of a public employee retirement system. The Premium Assistance OPEB plan is reported

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

in the Public School Employees Retirement System Comprehensive Annual Financial Report which can be found at [www.psers.pa.gov](http://www.psers.pa.gov).

**Eligibility and Retiree Contributions:****REHP**

Eligible employees who retire from the Commonwealth and meet one of the following eligibility criteria are eligible to receive REHP benefits:

- 25 or more years of service;
- 20 or more years of service and superannuation age - age 50 for Park Rangers, Capitol Police and certain enforcement officers or age 60 for all other employees (age 55 or 65 for employees subject to Act 120 of 2010);
- Disability retirement - requires five years of service (no service requirements for enforcement officers).
- For employees who retired after June 30, 2005 and before July 1, 2007 the retiree contribution is set at 1% of employee's final annual salary. Most Commonwealth employees who retired on or after July 1, 2007 but before July 1, 2011 are currently required to pay retiree contributions of 3% of either their final annual salary or final average salary, whichever is less. Most employees who retire on or after July 1, 2011 are currently required to pay retiree contributions of 3% of their final average salary. Upon enrollment in Medicare, Commonwealth employees who are currently paying 3% will pay retiree contributions of 1.5% of either their final annual salary or final average salary, whichever applies.

**RPSPP**

Permanent enlisted employees of the Pennsylvania State Police who retire from the Commonwealth and meet one of the following eligibility criteria are eligible to receive RPSPP benefits:

- Superannuation retirement (excluding vested employees) - age 50 (age 55 for employees subject to Act 120 of 2010) with three years of service;
- Retirement with at least 25 years of Commonwealth service;
- Retirement with at least 20 but less than 25 years of service, with at least 10 years of enlisted service with State Police (military time, civilian service with another Commonwealth agency are not considered service with the State Police);
- Disability retirement - no service requirement.
- RPSPP plan members are not required to make contributions.

**Judicial**

Eligible employees (members and staff) who retire from the Unified Judicial System and meet one of the following eligibility criteria are eligible to receive Judicial benefits:

- Staff:
  - Prior to attaining age 60 and retiring before/after January 1, 2001:
    - The retiree will pay 100% of the premium if retiring with less than 20/25 years of total service and less than 3/5 years of judiciary service.
    - The retiree will pay 75% of the premium if retiring with less than 20/25 years of service and more than 3/5 years of judiciary service.
    - The retiree will pay between 75% and 25% of the premium if retiring with 20/25 years or more of service and less than 3/5 years of judiciary service.
    - The retiree will pay 1% of pension if retiring with 20/25 years or more of service and more than 3/5 years of judiciary service.
  - After attaining age 60 and retiring before/after January 1, 2001:
    - The retiree will pay 100% of the premium if retiring with less than 10/15 years of total service and less than 3/5 years of judiciary service.
    - The retiree will pay 75% of the premium if retiring with less than 10/15 years of service and more than 3/5 years of judiciary service.
    - The retiree will pay between 75% and 25% of the premium if retiring with 10/15 years or more of service and less than 3/5 years of judiciary service.
    - The retiree will pay 1% of pension if retiring with 10/15 years or more of service and more than 3/5 years of judiciary service.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

- Judges/ District Justices:
  - Prior to attaining age 60:
    - The retiree will pay 1% of pension/75% of the premium if retiring with more than 10 and less than 18 years of judiciary service.
    - The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.
  - After attaining age 60:
    - The retiree will pay 75% of the premium if retiring with more than 3 and less than 10 years of judiciary service.
    - The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.

**House**

Eligible employees (members and staff) who retire from the House of Representatives and meet one of the following eligibility criteria are eligible to receive House benefits:

- Members:
  - Age 49 or younger with at least 10 years of creditable service, but less than 10 years as a legislator:
    - The House will pay \$5 per month towards the premium for Medical and prescription drug coverage. The retiree must pay the remainder.
  - Age 49 or younger with at least 10 years as a legislator (after December 1, 1992 any creditable service), age 50 or older with at least 10 years of creditable service or member retired under disability with at least 5 years of SERS eligible service:
    - The House will pay 100% of the premiums. Beginning 2012, the retiree must contribute 1% of the retiree's final salary. Members that retired prior to November 30, 1980 are eligible for medical and prescription drug coverage. Members that retired after December 1, 1980 are eligible for medical, prescription drug, vision and dental coverage. Members that retired after December 1, 1992 are eligible for medical, prescription drug, vision, dental and long-term health care coverage.
- Staff:
  - Age 59 or younger with between 10 to 24 years of creditable service:
    - The House will pay \$5 per month towards the premium for medical and prescription drug coverage.
  - Age 60 or older with at least 10 years of creditable service or at least 25 years of creditable service:
    - The House will pay 100% of the premiums for medical and prescription drug coverage. If the retiree has at least 12.5 years of legislative service and the last 3 years are as an employee of the House, the retiree will receive 100% paid vision and dental coverage. Beginning January 1, 2012, the retiree must contribute 1% of the retiree's final salary annually.

**Senate**

Eligible employees (members and staff) who retire from the Senate and meet one of the following eligibility criteria are eligible to receive Senate benefits:

- Option 1
  - For employees hired prior to October 3, 2006, individuals must have 25 years of credited service, of which 12 ½ years of such credited service were with the Legislature, and further provided that the last three (3) continuous years (4,950 hours) of credited service were with the Senate.
  - For employees hired on or after October 3, 2006, individuals must have 30 years of credited service, of which 20 years of such credited service were with the Senate and had at least 5 continuous years of credited service with the Senate.
  - Retiree contribution rates are based on salary with rates equal to 1% of their final salary for all benefits.
- Option 2
  - For employees hired prior to October 3, 2006, individuals must be a minimum of age 60 with 10 or more years of credited service and worked for the Senate for at least 18 continuous months in the most recent employment period with the Senate.
  - For employees hired on or after October 3, 2006, individual must be a minimum of age 60 with 20 or more years of credited service and worked for the Senate for at least 5 continuous years in the most recent employment period with the Senate.
  - Retiree contribution rates are based on salary with rates equal to 1% of their final salary for all benefits.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**GASB 74 Plan Reporting**

**REHP and RPSPP**

**Plan Membership:** At June 30, 2020, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	December 31, 2019	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments.....	64,509	5,303
Inactive plan members entitled to but not yet receiving benefit payments.....	17,425	—
Active plan members.....	69,070	4,530
<b>Total all plan members.....</b>	<b>151,004</b>	<b>9,833</b>

**Employer Contributions:** REHP employer contributions are contractually required and established by the Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2020, almost all REHP participating agencies contributed \$230 (whole dollars) for each current active REHP eligible employee per biweekly pay period to fund the REHP. Several participating agencies contribute under different but comparable payment arrangements.

RPSPP employer contribution requirements are established by the Office of Administration and the Office of the Budget. During the fiscal year ended June 30, 2020 participating agencies contributed \$1,288 (whole dollars) for each current RPSPP eligible active employee per biweekly pay period to fund the RPSPP.

The REHP and RPSPP funding rates needed to fund current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. During the fiscal year ended June 30, 2020, the Commonwealth funded \$415,137 (estimated) of annuitant health care claims and administrative costs for the REHP and \$141,448 (estimated) of annuitant health care claims and administrative costs for the RPSPP, respectively. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2020, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP was contributed to the Other Postemployment Benefits Investment Pool, a pension (and other employee benefit) trust fund. Determinations of advance funding amounts are evaluated annually. The REHP and RPSPP maintain reserves for claims that are Incurred But Not Paid. At June 30, 2020, the REHP and RPSPP recorded \$14,430 and \$4,747, respectively.

**Specific Actuarial Assumptions:** The total OPEB liability was determined by an actuarial valuation with a measurement date as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	REHP/RPSPP
Actuarial cost method.....	Entry age normal
Method used to determine actuarial value of assets.....	Market value
Investment returns.....	5.0%
Inflation rate assumption.....	2.6%
Payroll growth.....	2.9%
Cost of living adjustment.....	N/A
Healthcare cost trend rates:	
Medicare retiree.....	6.1% for 2020 decreasing to an ultimate rate of 4.1% for 2075 and later years
Non-Medicare retiree.....	6.6% for 2020 decreasing to an ultimate rate of 4.1% for 2075 and later years

Mortality rates were based on the RP-2000 Male and Female Combined Health Mortality Tables projected (using Projection Scale AA) to 2016 for males and to 2020 for females, and then further adjusted to ensure sufficient margin improvement in certain age ranges. Disabled participants mortality rates were based on the RP-2000 Male and Female Disabled Retiree Mortality Tables projected (using Projection Scale AA) to 2021 for males and to 2017 for females. Each table includes a margin for future improvement in life expectancy.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

The actuarial assumptions used in the June 30, 2020 valuation were based on the State Employees’ Retirement System (SERS) experience study that covered the years 2011 through 2015. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. The inflation assumption was selected by the SERS Board during an April 2017 meeting based on a review of actual plan experience and the prevalent economic outlook. Consistent with prior valuations, these demographic assumptions assume beginning of year decrements (retirement, withdrawal, death, disability, etc.). For the employers that contribute to the REHP plan in accordance with a special contribution arrangement, the withdrawal assumption is increased by a factor of 2.0 for one year of service or less and increased by 10 percentage points for service of 2 years through 9 years.

**Investments:** The assets of both the REHP and RPSPP are managed by the Commonwealth’s Treasury Department in an investment pool. The OPEB investments are made based upon an interagency agreement, dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania’s fiscal code 72P.S. §30.1, amendment to the fiscal code, the Principles of Prudent Investors Standards.

Asset Class	REHP	RPSPP
	Target Allocation	Target Allocation
Domestic equity.....	40.00%	40.00%
International equity.....	27.00%	27.00%
Fixed income.....	23.00%	23.00%
Real estate.....	8.00%	8.00%
Cash and cash equivalents.....	1.50%	1.50%
Private equity.....	0.50%	0.50%
<b>Total</b> .....	<b>100.00%</b>	<b>100.00%</b>

**Concentration:** Based on a portfolio value of \$482,914 for the REHP and \$111,161 for the RPSPP, the following investment concentrations existed as of June 30, 2020. In order to achieve the target return and to keep costs low, asset classes have been populated with Exchange-Traded Funds (ETFs) and low cost mutual funds.

Issuer Name	REHP		RPSPP	
	Amount	% of Total Portfolio	Amount	% of Total Portfolio
ISHARES.....	\$ 187,099	38.74 %	\$ 43,068	38.74 %
SDPR S&P 500.....	137,906	28.56 %	31,744	28.56 %
VANGUARD.....	102,127	21.15 %	23,509	21.15 %
MACQUARIE.....	47,948	9.93 %	11,037	9.93 %
TREASURY OPEB FUND.....	6,249	1.29 %	1,438	1.29 %
PPC LLC.....	1,585	0.33 %	365	0.33 %
<b>Total</b> .....	<b>\$ 482,914</b>	<b>100.00 %</b>	<b>\$ 111,161</b>	<b>100.00 %</b>

**Rate of Return:** For the year ended June 30, 2020, the annual rate of return on investments, net of investment expense was 1.26%. The rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

Asset Class	Long-Term Expected Real Rate of Return	
	REHP	RPSPP
Private equity.....	10.40%	10.40%
International equity.....	5.80%	5.80%
Domestic equity.....	5.60%	5.60%
Real estate.....	4.60%	4.60%
Fixed income.....	1.70%	1.70%
Cash and cash equivalents.....	0.90%	0.90%

**Net OPEB Liability:** The net OPEB liability represents the liability of the employers contributing to the plan for benefits provided through a defined benefit OPEB plan that is administered through a trust or trust equivalent. The components of the net OPEB liability for the participating employers at June 30, 2020 were as follows:

	REHP	RPSPP
Total OPEB liability.....	\$ 12,788,546	\$ 6,808,752
Plan fiduciary net position.....	(469,053)	(106,545)
<b>Plan net OPEB liability.....</b>	<b>\$ 12,319,493</b>	<b>\$ 6,702,207</b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	3.67 %	1.56 %

**Discount Rate:** The discount rate used to measure the total OPEB liability of the REHP and RPSPP was 2.21% as of June 30, 2020. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2020. Since REHP and RPSPP have insufficient assets to meet next year’s projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:** The following presents the net OPEB liability for the REHP and the RPSPP OPEB plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

Net OPEB Liability	Discount Rate		
	1% Decrease		1% Increase
	1.21%	2.21%	3.21%
REHP.....	\$ 14,057,775	\$ 12,319,493	\$ 10,872,503
RPSPP.....	\$ 8,010,741	\$ 6,702,207	\$ 5,675,712

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:** The following presents the net OPEB liability of the Commonwealth, as well as what the Commonwealth’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (decreasing to 3.1%) or one percentage point higher (decreasing to 5.1%) than the current healthcare cost trend rates.

Net OPEB Liability	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
	5.6%/5.1%	6.6%/6.1%	7.6%/7.1%
	decreasing to 3.1%	decreasing to 4.1%	decreasing to 5.1%
REHP.....	\$ 10,470,816	\$ 12,319,493	\$ 14,629,510
RPSPP.....	\$ 5,625,012	\$ 6,702,207	\$ 8,085,390

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**PSERS OPEB Plans**

The Public School Employees Retirement System (PSERS), a component unit, provides two voluntary postemployment healthcare programs for all eligible retired public school employees (annuitants) who qualify and elect to participate. The Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP).

Under the Premium Assistance employer contribution rates are established to provide reserves that are sufficient for the Premium Assistance benefits for each succeeding year. For June 30, 2020, the employer contribution to the Premium Assistance was 0.83% of the total employer contribution to the PSERS. Participating eligible annuitants are entitled to receive the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

The HOP is a voluntary health insurance program for the sole benefit of annuitants, spouses of annuitants, survivor annuitants and their dependents. The HOP is funded exclusively by the premiums paid by its participants. Participants may select among two self-funded Medicare supplement plans, three Medicare Rx plans, and multiple Medicare Advantage plans. Participants not eligible for Medicare have a choice of a self-funded high deductible indemnity plan and multiple managed care plans. The HOP maintains reserves for claims that are Incurred But Not Reported (IBNR) and for claim fluctuation for the self-funded benefit plans. At June 30, 2020, the PSERS recorded \$18,447 in IBNR.

**GASB 75 Employer Reporting**

**Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense - All Plans**

	REHP*	RPSPP*	Judiciary	House	Senate	Premium Assistance*	Total
<b>OPEB liability</b>							
Primary government.....	\$ 9,638,219	\$ 5,686,603	\$ 760,309	\$ 601,923	\$ 354,581	\$ 13,086	\$17,054,721
Discretely presented component units.....	\$ 702,554	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 702,554
<b>Deferred outflows of resources</b>							
Primary government.....	\$ 1,577,147	\$ 411,748	\$ 62,295	\$ 24,891	\$ 45,532	\$ 1,694	\$ 2,123,307
Discretely presented component units.....	\$ 114,790	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 114,790
<b>Deferred inflows of resources</b>							
Primary government.....	\$ 9,403,059	\$ 1,329,645	\$ 52,604	\$ 103,817	\$ —	\$ 394	\$10,889,519
Discretely presented component units.....	\$ 643,844	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 643,844
<b>OPEB (income) expense</b>							
Primary government.....	\$(1,202,662)	\$ 80,008	\$ 53,682	\$ 28,984	\$ 8,725	\$ 722	\$(1,030,541)
Discretely presented component units.....	\$ (75,644)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (75,644)

\*Administered through a trust

**Plans Administered Through Trusts - REHP and RPSPP**

**Plan Membership:** At June 30, 2019, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments....	64,516	5,211
Inactive plan members entitled to but not yet receiving benefit payments.....	16,948	—
Active plan members.....	69,477	4,326
<b>Total all plan members.....</b>	<b>150,941</b>	<b>9,537</b>

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**Employer Contributions:** REHP employer contributions are contractually required and established by the Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2019, almost all REHP participating agencies contributed \$300 (whole dollars) for each current, active REHP eligible employee per biweekly pay period to fund the REHP. Several participating agencies contribute under different but comparable payment arrangements.

RPSPP employer contribution requirements are established by the Office of Administration and the Office of the Budget. During the fiscal year ended June 30, 2019 participating agencies contributed \$1,288 (whole dollars) for each current RPSPP eligible active employee per biweekly pay period to fund the RPSPP. RPSPP plan members are not required to make contributions.

The REHP and RPSPP funding rates needed to fund current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. During the fiscal year ended June 30, 2019, the Commonwealth funded \$508,876 (estimated) and \$141,292 (estimated) of annuitant health care claims and administrative costs for the REHP and RPSPP, respectively. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 77.64% and 16.89%, respectively, of the Commonwealth’s governmental activities REHP OPEB contributions for the fiscal year ended June 30, 2019. The **General Fund** and **Motor License Fund** funded 96.12% and 0.76%, respectively, of the Commonwealth’s governmental activities RPSPP OPEB contributions for the fiscal year ended June 30, 2019. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2019, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP was contributed to the Other Postemployment Benefits Investment Pool, a pension (and other employee benefit) trust fund. Determinations of advance funding amounts are evaluated annually.

**Net OPEB Liability:** The net OPEB liability for both the REHP and the RPSPP was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs:** The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	REHP/RPSPP
Actuarial cost method.....	Entry age normal
Method used to determine actuarial value of assets.....	Market value
Investment returns.....	5.00%
Inflation rate assumption.....	2.60%
Payroll growth.....	2.90%
Cost of living adjustment.....	N/A
Healthcare cost trend rates:	
Medicare Retiree.....	5.9% for 2019 decreasing to an ultimate rate of 4.1% for 2075 and later years
Non-Medicare retiree.....	6.0% for 2019 decreasing to an ultimate rate of 4.1% for 2075 and later years

Mortality rates were based on the RP-2000 Male and Female Combined Health Mortality Tables projected (using Projection Scale AA) to 2016 for males and to 2020 for females, and then further adjusted to ensure sufficient margin improvement in certain age ranges. Disabled participants mortality rates were based on the RP-2000 Male and Female Disabled Retiree Mortality Tables projected (using Projection Scale AA) to 2021 for males and to 2017 for females. Each table includes a margin for future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the State Employees’ Retirement System (SERS) experience study that covered the years 2011 through 2015. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. The inflation assumption was selected by the SERS Board during an April 2017 meeting based on a review of actual plan experience and the prevalent economic outlook. Consistent with prior valuations, these demographic assumptions assume beginning of year decrements (retirement, withdrawal, death,

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

disability, etc.). For the employers that contribute to the REHP plan in accordance with a special contribution arrangement, the withdrawal assumption is increased by a factor of 2.0 for one year of service or less and increased by 10 percentage points for service of 2 years through 9 years. Cost of living adjustments (COLA) may be granted on an ad hoc basis, there were no COLAs granted during the measurement period.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-Term Expected	
	Real Rate of Return	
	REHP	RPSPP
International equity.....	5.80 %	5.80 %
Domestic equity.....	5.60 %	5.60 %
Real estate.....	4.60 %	4.60 %
Fixed income.....	1.70 %	1.70 %
Cash and cash equivalents....	0.90 %	0.90 %

**Discount Rate:** The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2019. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2018. Since REHP and RPSPP have insufficient assets to meet next year’s projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

**Changes in the Net OPEB Liability:**

REHP	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS		
	Total OPEB	Plan	Net OPEB	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability	Liability	Fiduciary	Liability
	(a)	Net Position	(a)-(b)	(c)	Net Position	(c)-(d)
Balance at June 30, 2018.....	\$ 13,919,442	\$ 309,469	\$ 13,609,973	\$ 996,550	\$ 22,156	\$ 974,394
Changes for the year:						
Service cost.....	368,820	—	368,820	26,884	—	26,884
Interest.....	543,223	—	543,223	39,597	—	39,597
Changes in assumptions.....	373,380	—	373,380	27,217	—	27,217
Difference between expected and actual experience...	(4,703,991)	—	(4,703,991)	(342,886)	—	(342,886)
Benefit payments:						
Employer paid.....	(463,653)	(463,653)	—	(33,797)	(33,797)	—
Contributions:						
Employer.....	—	524,283	(524,283)	—	30,662	(30,662)
Administrative expenses.....	—	(5,148)	5,148	—	(376)	376
Net investment income:						
Expected investment earnings.....	—	16,648	(16,648)	—	1,212	(1,212)
Difference between projected and actual earnings...	—	3,052	(3,052)	—	222	(222)
Change in proportionate share.....	(21,872)	(7,521)	(14,351)	16,479	7,411	9,068
Net Change.....	(3,904,093)	67,661	(3,971,754)	(266,506)	5,334	(271,840)
Balance at June 30, 2019.....	<u>\$ 10,015,349</u>	<u>\$ 377,130</u>	<u>\$ 9,638,219</u>	<u>\$ 730,044</u>	<u>\$ 27,490</u>	<u>\$ 702,554</u>

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

RPSPP	PRIMARY GOVERNMENT		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(e)	(f)	(e)-(f)
Balance at June 30, 2018	\$ 5,981,598	\$ 96,357	\$ 5,885,241
Changes for the year:			
Service cost	145,817	—	145,817
Interest	234,405	—	234,405
Changes in assumptions	296,435	—	296,435
Difference between expected and actual experience	(728,659)		(728,659)
Benefit payments:			
Employer paid	(142,251)	(142,251)	—
Contributions:			
Employer	—	142,292	(142,292)
Administrative expenses	—	(510)	510
Net investment income:			
Expected investment earnings	—	4,806	(4,806)
Difference between projected and actual earnings	—	48	(48)
Net Change	(194,253)	4,385	(198,638)
Balance at June 30, 2019	\$ 5,787,345	\$ 100,742	\$ 5,686,603

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:** The following presents the net OPEB liability for the REHP and the RPSPP OPEB plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

REHP	Discount Rate		
	1% Decrease		1% Increase
	2.50%	3.50%	4.50%
Net OPEB liability			
Primary Government	\$ 10,935,061	\$ 9,638,219	\$ 8,552,690
Discretely presented component units	\$ 797,084	\$ 702,554	\$ 623,426

RPSPP	Discount Rate		
	1% Decrease		1% Increase
	2.87%	3.87%	4.87%
Net OPEB liability	\$ 6,702,864	\$ 5,686,603	\$ 4,878,688

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:** The following presents the net OPEB liability of the REHP and RPSPP OPEB plans Commonwealth, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

REHP	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
	4.9% decreasing to 3.1%	5.9% decreasing to 4.1%	6.9% decreasing to 5.1%
Net OPEB Liability			
Primary Government	\$ 8,372,571	\$ 9,638,219	\$ 11,195,033
Discretely presented component units	\$ 610,297	\$ 702,554	\$ 816,035

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

RPSPP	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
	4.9% decreasing to 3.1%	5.9% decreasing to 4.1%	6.9% decreasing to 5.1%
Net OPEB Liability.....	\$ 4,886,271	\$ 5,686,603	\$ 6,693,917

**OPEB Expense and Deferred Outflows and Deferred Inflows:** For the year ended June 30, 2019, the primary government recognized OPEB income of \$1,202,662 and expense of \$80,008 for the REHP and the RPSPP, respectively, and the discretely presented component units recognized OPEB income of \$75,644 for the REHP.

At June 30, 2019, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are listed as follows:

REHP	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Primary Government	Discretely Presented Component Units	Primary Government	Discretely Presented Component Units
Employer contributions				
subsequent to measurement date.....	\$ 436,561	\$ 25,187	\$ —	\$ —
Changes in assumptions.....	308,331	22,475	(1,334,969)	(97,310)
Net difference between				
expected and actual plan experience.....	—	—	(7,168,322)	(522,517)
Net difference between				
projected and actual investment earnings.....	—	—	(17,071)	(1,245)
Changes in proportion.....	832,255	67,128	(882,697)	(22,772)
<b>Total</b> .....	<b>\$ 1,577,147</b>	<b>\$ 114,790</b>	<b>\$ (9,403,059)</b>	<b>\$ (643,844)</b>

RPSPP	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions		
subsequent to measurement date.....	\$ 142,448	\$ —
Changes in assumptions.....	247,193	(561,082)
Net difference between		
expected and actual plan experience.....	—	(741,108)
Net difference between		
projected and actual earnings on investments.....	—	(5,348)
Changes in proportion.....	22,107	(22,107)
<b>Total</b> .....	<b>\$ 411,748</b>	<b>\$ (1,329,645)</b>

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date in the amounts of \$461,748 and \$142,448, for REHP and RPSPP, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>REHP</b>		
<b>Year ended June 30:</b>	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
2020.....	\$ (2,102,977)	\$ (141,285)
2021.....	\$ (2,102,975)	\$ (141,285)
2022.....	\$ (1,996,737)	\$ (133,541)
2023.....	\$ (1,489,665)	\$ (98,876)
2024.....	\$ (567,053)	\$ (39,026)
Thereafter.....	\$ (3,066)	\$ (228)

<b>RPSPP</b>	
<b>Year ended June 30:</b>	<b>Primary Government</b>
2020.....	\$ (295,918)
2021.....	\$ (295,919)
2022.....	\$ (253,702)
2023.....	\$ (141,572)
2024.....	\$ (71,798)
Thereafter.....	\$ (1,436)

**Plans Not Administered Through Trusts - Judiciary, House and Senate**

**Plan Membership:** The Judiciary, House, and Senate OPEB plan membership consisted of the following (actual number of plan members):

	<b>Census date:</b>	<b>January 1, 2020</b>	<b>July 1, 2018</b>	<b>July 1, 2019</b>
		<b>Judiciary</b>	<b>House</b>	<b>Senate</b>
Inactive plan members or beneficiaries currently receiving benefit payments.....		1,552	1,114	489
Inactive plan members entitled to but not yet receiving benefit payments.....		—	—	—
Active plan members.....		1,932	1,677	784
Total all plan members.....		<u>3,484</u>	<u>2,791</u>	<u>1,273</u>

**Employer Contributions:** During the fiscal year ended June 30, 2020, the Judiciary funded \$22,573 of annuitant health care claims and administrative costs. The contribution policy of the Judiciary is to pay OPEB benefits as they come due. The Judiciary does not prefund its OPEB. The authority to pay OPEB benefits as they come due for the Judiciary OPEB plan, fall under the purview of the Supreme Court.

During the fiscal year ended June 30, 2020, the House funded \$19,340 of annuitant health care claims and administrative costs. The contribution policy of the House is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the House.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

During the fiscal year ended June 30, 2020, the Senate funded \$9,845 of annuitant healthcare claims and administrative costs. The contribution policy of the Senate is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the Senate.

**Total OPEB Liability:** The Judiciary, House and Senate reported a total OPEB liability for the fiscal year ended June 30, 2020. The valuation date and measurement date differed for each plan.

	Judiciary	House	Senate
Total OPEB liability reported June 30, 2020.....	\$ 760,309	\$ 601,923	\$ 354,581
Valuation date.....	June 30, 2020	July 1, 2018	July 1, 2019
Measurement date.....	June 30, 2020	July 1, 2019	June 30, 2020

**Actuarial Assumptions and Other Inputs:** The total OPEB liability in the GASB 75 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Judiciary	House	Senate
Inflation.....	2.40 %	N/A	N/A
Salary increases.....	3.00 %	2.90 %	3.50 %
Discount rate.....	2.66 %	3.36 %	2.44 %
Healthcare cost trend rates.....	5.50% to 3.80%	5.50% to 3.80%	7.00% to 4.50%
Retirees share of benefit-related costs.....	1% to 100%	1.00 %	1.00 %
Cost of living adjustments.....	N/A	N/A	N/A

The discount rate was based on:

Judiciary- S&P Municipal Bond 20-year High Grade Rate Index at June 30, 2020

House- S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2019

Senate- An average of three 20-year bond indices (Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate index, Fidelity GA AA 20 Years) as of June 30, 2020.

Mortality rates were based on:

Judiciary- the RP-2000 Healthy Annuitant Mortality Table for Males or Females using projection scale AA.

House- the RP-2000 Health Annuitant Mortality Table for Males or Females using projection scale AA.

Senate- the Society of Actuaries Mortality Improvement Scale MP-2019

**Changes in the Total OPEB Liability:**

	Judiciary (June 30, 2020)	House (June 30, 2019)	Senate (June 30, 2020)
<b>Total OPEB liability at beginning of fiscal year.....</b>	<b>\$ 749,514</b>	<b>\$ 585,192</b>	<b>\$ 401,234</b>
Changes for the year:			
Service cost.....	23,828	28,429	5,389
Interest.....	26,715	17,974	9,670
Differences between expected and actual experience.....	(63,125)	—	—
Changes in assumptions or other inputs.....	45,949	(10,332)	(51,867)
Benefit payments.....	(22,572)	(19,340)	(9,845)
Net Changes.....	10,795	16,731	(46,653)
<b>Total OPEB liability at end of fiscal year.....</b>	<b>\$ 760,309</b>	<b>\$ 601,923</b>	<b>\$ 354,581</b>

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:** The following presents the total OPEB liability of the Judiciary, House and Senate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

Total OPEB liability	Discount Rate	1% Decrease	@ Discount Rate	1% Increase
Judiciary.....	2.66 %	\$ 876,069	\$ 760,309	\$ 665,568
House.....	3.36 %	\$ 693,195	\$ 601,923	\$ 527,514
Senate.....	2.44 %	\$ 430,304	\$ 354,581	\$ 297,812

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:** The following presents the total OPEB liability of the Judiciary, House and Senate, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates.

Total OPEB liability	Healthcare Cost Trend Rate	1% Decrease	@ Healthcare Cost Trend Rate	1% Increase
Judiciary.....	5.50% to 3.80%	\$ 649,120	\$ 760,309	\$ 899,376
House.....	5.50% to 3.80%	\$ 507,567	\$ 601,923	\$ 722,380
Senate.....	7.00% to 4.50%	\$ 293,529	\$ 354,581	\$ 435,816

**OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB:** For the year ended June 30, 2020, the Judiciary, House and Senate recognized OPEB expense of \$53,682, \$28,984 and \$8,725, respectively. At June 30, 2020, the Judiciary, House and Senate reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Judiciary	House	Senate	Judiciary	House	Senate
Changes in assumptions or other inputs.....	\$ 62,295	\$ 4,266	\$ 45,532	\$ —	\$ 40,326	\$ —
Contributions subsequent to measurement date.....	—	20,625	—	—	—	—
Differences between expected and actual experience.....	—	—	—	52,604	63,491	—
<b>Total.....</b>	<b>\$ 62,295</b>	<b>\$ 24,891</b>	<b>\$ 45,532</b>	<b>\$ 52,604</b>	<b>\$ 103,817</b>	<b>\$ —</b>

The House's \$20,625 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Judiciary	House	Senate
<b>Year ended June 30:</b>			
2021.....	\$ 3,138	\$ (17,419)	\$ 6,334
2022.....	3,138	(17,419)	6,334
2023.....	3,138	(17,419)	6,334
2024.....	3,138	(17,419)	6,334
2025.....	(2,861)	(17,419)	6,334
Thereafter.....	—	(12,456)	13,862
<b>Total.....</b>	<b>\$ 9,691</b>	<b>\$ (99,551)</b>	<b>\$ 45,532</b>

**Special Funding Situation - Premium Assistance Plan**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

As a governmental nonemployer contributing entity in the Premium Assistance plan, the Commonwealth is required to contribute 50% of the employers share of the OPEB contribution for the non-school entities. The Commonwealth's proportionate share of the net OPEB liability at June 30, 2020 was \$13,086 or 0.6153%, which was an increase of .011% from its proportion measured as of June 30, 2019. The proportionate share is calculated utilizing the employers' one-year reported covered payroll as a percentage of the total one-year reported covered payroll. The Commonwealth is assigned 50% of non-school entities covered payroll for purposes of calculating proportionate share. The Commonwealth's proportionate share of OPEB expense, deferred outflows of resources and deferred inflows of resources are listed in the chart below.

	<u>Premium Assistance</u>
<b>OPEB expense</b> .....	\$ 722
<b>Deferred outflows of resources</b>	
Difference between expected and actual experience.....	\$ 74
Changes of assumptions.....	\$ 434
Difference between projected and actual investment earnings.....	\$ 22
Changes in proportion.....	\$ 440
Contributions subsequent to measurement date.....	\$ 724
<b>Deferred inflows of resources</b>	
Changes of assumptions.....	\$ 389
Changes in proportion.....	\$ 4
Difference between employee contribution and proportionate share	\$ 1

**Employer Contributions:** The contribution policy of the Premium Assistance plan is governed by applicable provisions of the Retirement Code. A portion of each employer pension contribution is set aside for the funding of the Premium Assistance. The total contribution rate for employers and governmental nonemployer contributing entities is 0.83% of the total employer pension contribution. The contribution rate for the Premium Assistance plan is set at a level necessary to establish reserves sufficient to provide Premium Assistance plan payments for all participating eligible members for the subsequent fiscal year. The Premium Assistance plan recognized \$724 of contributions during the fiscal year ended June 30, 2020.

**NOTE 11 - CERTAIN CLAIMS LIABILITIES**

The Pennsylvania Medical Care Availability and Reduction of Error Fund (Mcare), a special revenue fund, acts as a service agent to facilitate the payment of medical malpractice claims to claimants which exceed basic liability coverage carried by healthcare providers practicing in the Commonwealth. The Mcare collects statutory healthcare provider surcharges, as a percentage of insurance premiums for basic liability coverage; in turn, the Mcare pays claimants on behalf of healthcare providers. The Mcare has assets of \$87,385 at June 30, 2020. The Commonwealth has reported \$1,047,988 at June 30, 2020 with respect to the actuarially computed liability for outstanding claims for injuries caused by alleged negligence by certain healthcare providers. The claims will be funded exclusively through statutory surcharge assessments in future years as claims are settled and paid.

The Underground Storage Tank Indemnification Fund (USTIF), a special revenue fund, is used to collect fees from underground storage tank owners and operators sufficient to pay owners and operators for costs associated with corrective actions or for bodily injury or property damage caused by underground tank leaks and other releases. Owners and operators are assessed actuarially determined amounts to accumulate sufficient assets to pay claims. The Commonwealth has reported \$326,600 at June 30, 2020 with respect to the estimated actuarial liability for existing claims. There are statutory limits on the extent of the USTIF's liability to participating owners and operators; the USTIF is not obligated beyond assets held at June 30, 2020. The USTIF has assets of \$426,027 at June 30, 2020. Owners and operators will be assessed for any claims exceeding assets and no financial liability is reported for those claims.

**NOTE 12 - JOINT VENTURE**

The Commonwealth and various labor unions representing Commonwealth collective bargaining employees participate in a joint venture, the Pennsylvania Employees Benefit Trust Fund (PEBTF). The PEBTF was established in 1988 through an Agreement and Declaration of Trust (Agreement). The PEBTF establishes and provides healthcare benefits for active Commonwealth employees and is the Commonwealth's third-party administrator for paying retiree healthcare benefits for the REHP and the RPSPP. The Commonwealth has, in its collective bargaining agreements with unions participating in the Agreement, obligated itself to provide certain contributions on behalf of bargaining unit employees. The Commonwealth also remits contractually established contributions on behalf of active non-union employees and other active employees covered by contracts between the Commonwealth and other unions. Nearly all active employees contribute established percentages of their salaries and wages received, constituting an 'employee share,' to finance active employee benefits. During the fiscal year ended June 30, 2020 total employer contributions for active employees amounted to approximately \$990,122; active employee contributions amounted to approximately \$127,069. Neither the Commonwealth nor the unions have an equity interest in the PEBTF.

At June 30, 2020, for the active employees benefit program, the PEBTF reported total assets of \$872,478, total liabilities of \$1,935, total benefit obligations of \$94,776, and an excess of net assets over benefit obligations of \$775,767. During the fiscal year ended June 30, 2020 the PEBTF reported an increase in net assets over benefit obligations of \$144,307 for the active employees benefit program.

Due to timing differences in the implementation and payment of the new employer contribution effective July 1, 2011, the PEBTF recorded \$237 in contribution overpayments for the fiscal year ended June 30, 2020. It is expected that these overpayments will be offset by reductions in contribution payments as the collective bargaining agreements are adopted.

Audited financial statements for the active employee healthcare plans are available, by request, from:

Pennsylvania Employees Benefit Trust Fund  
150 South 43rd Street  
Harrisburg, Pennsylvania 17111-5700

**NOTE 13 - TAX ABATEMENTS****Tax Abatements**

A tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. As of June 30, 2020, the Commonwealth of Pennsylvania provided tax abatements through the following programs listed in alphabetical order:

- The Coal Refuse Energy and Reclamation Tax Credit program is administered by the Department of Community and Economic Development (DCED) under Article XVII-J of the Tax Reform Code of 1971 to incentivize Pennsylvania electric generating facilities to use coal refuse for power generation, control acid gases, and use ash produced to reclaim mining-affected sites. To be eligible, an electric generating facility must have been in service within the Commonwealth prior to July 1, 2016, must use qualified coal refuse to generate power, and use a qualified system to control acid gases. Additionally, facilities commit to using at least 50% ash produced in the prior year to reclaim mining-affected sites. Eligible facilities may apply for tax credits of \$4 dollars per ton of qualified coal refuse used, up to 22.2% of the annual program cap of \$20 million. If applications exceed the annual program cap, the credits will be prorated among applicants. The tax credit must be first applied against the tax liability in the year of issuance, may be carried forward 15 years, and after the initial filing may be sold to an approved business. Tax credits are valid to be deducted from the following taxes: corporate net income, personal income, bank and trust company shares, insurance premiums, title insurance company shares tax, gross receipts, and mutual thrift institutions. For the fiscal year ended June 30, 2020, \$17.1 million in taxes were abated.
- The Educational Opportunity Scholarship Tax Credit (EOSTC) is administered by DCED under Article XX-B of the Public School Code of 1949, 24 P.S. Section 20-2005-B and allows for businesses to receive tax credits for contributions to a list of pre-approved scholarship organizations. Businesses may apply to DCED for a tax credit equal to 75% of the contribution for a one-year pledge, or 90% of the contribution for a two-year pledge, up to \$750 thousand annually. After receiving the approved application from DCED, the business must make the contribution within 60 days, and provide DCED a written acknowledgment with proof within 90 days of the approved application. If proof is not received, the tax credit approval is void. Applications are approved first come/first served. Tax credits may not be sold, and total credits for the program cannot exceed \$55 million annually. If program thresholds are not met in a given year, the remaining balance will be available to the waiting list of the Education Tax Credit Program for Scholarship Organizations and Pre-Kindergarten Organizations, but not for Educational Improvement Organizations. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, title insurance company shares, malt beverage, and retaliatory fees. For the fiscal year ended June 30, 2020, \$32.6 million in taxes were abated.
- The Educational Tax Credit, previously known as the Educational Improvement Tax Credit (EITC), is administered by DCED under Article XX-B of the Public School Code of 1949, 24 P.S. Section 20-2005-B to provide an incentive for Pennsylvania businesses to make contributions to a list of pre-approved Scholarship Organizations (SO), Educational Improvement Organizations (EIO), or Pre-Kindergarten Scholarship Organizations (PKSO). For both SOs and EIOs, businesses may apply to DCED for a tax credit equal to 75% of the contribution for a one-year pledge, or 90% of the contribution for a two-year pledge, up to \$750 thousand annually. For PKSOs, businesses may apply for a tax credit equal to 100% of the first \$10 thousand, and 90% of any additional amount up to \$200 thousand. After receiving the approved application from DCED, the business must make the contribution within 60 days, and provide DCED a written acknowledgment with proof within 90 days. If proof is not received, the tax credit approval is void. For two-year applications, if the second year contribution is not made, the prior year credit is reduced to 75%. Applications are approved first come/first served. Tax credits are applied against the tax liability in the year of the contribution or the following year if a pass-through entity. Credits may not be carried forward or sold, and total credits for the program cannot exceed \$185 million annually (\$135 million for SOs, \$37.5 million for EIOs, and \$12.5 million for PKSOs). If EITC's total program credits have been met, an applicant may elect to have the application be considered for the Opportunity Scholarship Tax Credit program instead. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, title insurance company shares, malt beverage, and surplus lines tax for retaliatory fees. For the fiscal year ended June 30, 2020, \$174.8 million in taxes were abated.

**NOTE 13 - TAX ABATEMENTS (continued)**

- The Film Production Tax Credit is administered by DCED under Article XVII-D of the Tax Reform Code of 1971, and encourages production of films, television commercials, or television shows within the Commonwealth. To be eligible, the productions must be for a national audience, and production companies must spend a minimum of 60% of their total budgets on qualified Pennsylvania expenses. The budget must be approved by DCED. Tax credits are calculated at 25% of qualified Pennsylvania expenses, with an option of an additional 5% if filming is at a qualified facility within the Commonwealth. The total tax credits for an individual project are capped at 30% of the total annual program budget of \$70 million. The taxpayer also agrees to submit monthly progress reports and an independently audited report of expenses upon completion of the project. If the agreed upon qualified film production expenses are not incurred, the taxpayer must repay the Commonwealth the amount of tax credit claimed. Tax credits may be carried forward three years, and after the initial filing may be sold to an approved business. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, and title insurance company shares. For the fiscal year ended June 30, 2020, \$63.0 million in taxes were abated.
- The Keystone Innovation Zone (KIZ) program is administered by the Ben Franklin Technology Development Authority (BFTDA) and DCED under Article XIX-F of the Tax Reform Code of 1971, and fosters entrepreneurial opportunities for young companies to grow in designated geographic areas. Each KIZ has a keystone innovation zone partnership and coordinator that develops a strategic plan for the targeted industry segments they are promoting. To be eligible for the tax credit a business must be located within a designated KIZ geographic area, must be in operation less than eight years, and must be within the specific KIZ's targeted industry sectors. Businesses must work with the KIZ coordinator prior to applying for the KIZ tax credit. Tax credits are awarded for 50% of the increase of revenues within the KIZ between the first and second year after application, up to \$100 thousand. If a business has operations outside the zone, the revenues are attributed based on property and payroll factors. If there is no payroll within the KIZ, the tax credit may be reduced. If there is no property or payroll within the KIZ, the business is ineligible. Businesses must report semi-annually through the KIZ Force reporting tool. If tax credits awarded exceed the \$15 million annual program cap, tax credits are prorated between recipients. Tax credits may be carried forward four years, and may be sold to an approved buyer after the initial year's filed taxes. Tax credits may be utilized against the following taxes: corporate net income and personal income. For the fiscal year ended June 30, 2020, \$15.1 million in taxes were abated. Total taxes abated may exceed the annual cap of tax credits issued due to timing of redemption.
- The Keystone Opportunity Zone Program (KOZ) is administered by DCED under Chapter 16B of the Pennsylvania Keystone Opportunity Zone Act, and is designed to create economic development in designated zones within the Commonwealth by providing tax abatements to businesses and residents located within the zones. While zones are in effect, qualified applicants within the zone are eligible to have tax liabilities waived for corporate net income tax, personal income tax, sales and use tax, mutual thrift institutions tax, bank and trust company shares tax, and insurance premiums tax. Businesses that cease operations in a KOZ within five years of first receiving tax benefits must repay a prorated percentage of the taxes abated; 66% if within three years or 33% if within four to five years. Existing Pennsylvania businesses relocating to the zone must satisfy one of the following relocation requirements to be eligible: increase full-time employment by at least 20% in the first year of operating within the KOZ; make a capital investment of at least 10% of the business' gross revenues of the year prior to relocating to the KOZ; or enter a lease agreement for the duration of the KOZ with aggregate lease payments of at least 5% of gross revenues of the year prior to relocating to the KOZ. KOZ applicants may not claim or accumulate the Tax Credit for New Jobs, the Research and Development tax credit, or the Neighborhood Assistance Program tax credit for activity performed within the zone. Qualified businesses must also be fully compliant with all state and local taxes and building codes, and within their annual renewal should include reporting on the jobs and private investment created within the KOZ. For residents to be eligible for tax waiver of personal income tax they must reside 184 consecutive days in the zone during each tax year, and comply with all state and local tax laws. In conjunction with the KOZ, the Commonwealth also at times committed to providing other economic growth opportunities in the form of grants, loans and training reimbursements. For the fiscal year ended June 30, 2020, \$84.3 million in taxes were abated.

**NOTE 13 - TAX ABATEMENTS (continued)**

- The Neighborhood Assistance Programs are administered by DCED under Article XIX-A of the Tax Reform Code of 1971, and provides an incentive for Pennsylvania business to contribute to approved neighborhood organizations' projects or otherwise provide qualified assistance to impoverished areas. There are five subset programs to Neighborhood Assistance Program tax credit program: the Neighborhood Assistance Program (NAP) is for contributions for projects to improve distressed communities, the Special Program Priorities (SPP) targets Commonwealth designated priority problems or projects within a distressed area, the Neighborhood Partnership Program (NPP) works holistically on multiple projects and contributions must be for five or more years, the Charitable Food Program (CFP) supports nonprofit regional food banks, and the Enterprise Zone Program (EZP) allows businesses in distressed areas to receive tax credits for investing directly in the construction costs of rehabilitating or improving buildings or land. The eligibility requirements and tax credit awards vary by subset program. In order to be eligible for the NAP, SPP, NPP and CFP tax credits, a business must provide to DCED a letter of commitment on corporate letterhead to contribute to an approved neighborhood organization's project in one of these subset programs. Upon approval, the contribution must be made within 12 months, and the business must submit proof of contribution to DCED within 18 months to receive the tax credit certificate. The neighborhood organization must use the donation on the approved project within 15 months of the donation. Tax credits are awarded at 55% of the contribution for NAPs, 75% of the contribution for SPPs, 75-80% for Neighborhood Partnership Programs, and 55% for Charitable Food Programs. The tax credit per business is capped at \$500 thousand for contributions to three or fewer projects or \$1.25 million for four or more projects. In order to be eligible for the EZP, a business must invest in the rehabilitation, expansion, improvement, engineering, architecture or acquisition of a building or land within a designated Enterprise Zone distressed community. The business must additionally provide full-time employment opportunities with benefits at a defined family sustainable wage. The tax credits are awarded at 25% of the investment up to a \$500 thousand limit per business. The Neighborhood Assistance Programs combined annual cap is \$36 million. Tax credits must be applied against the business' tax liability, can be carried forward five years, and after the initial filing may be sold to an approved business. The tax credits may be utilized against the following taxes: corporate net income, personal income, bank and trust company shares, mutual thrift institutions, insurance premiums, and title insurance. For the fiscal year ended June 30, 2020, \$18.0 million in taxes were abated.
- The Neighborhood Improvement Zone Program (NIZ) is administered by a contracting authority with oversight by the Department of Revenue (DOR), under Article XIX-B of the Tax Reform Code of 1971, and is a hybrid tax incremental financing program with a primary focus for the construction of an arena and a secondary focus for economic development in the zone. Each year entities located or partially located within the zone are required to file a NIZ report, which includes the following state taxes paid during the previous calendar year: corporate net income, bank and trust company shares, sales, use & hotel occupancy, employer withholding, gross receipts, unemployment compensation, realty transfer, cigarette, vehicle rental, gross premiums, malt beverage, and liquor/wine. The total amount of state taxes certified by DOR and applicable local taxes are deposited into the NIZ fund for use by the contracting authority. The authority may utilize the funds for the payment of debt service on bonds issued for the construction of the arena, or to fund the debt service of additional eligible improvement projects within the zone. All eligible NIZ projects must be geographically located within the NIZ and be approved by the authority. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service owed by the developer on the project. The NIZ zone is effective for a period equal to the payment of all debt service incurred, including bond repayment or 30 years, whichever occurs first. For the fiscal year ended June 30, 2020, \$61.2 million in taxes were abated and deposited into the NIZ fund for use by the contracting authority.
- The Resource Enhancement and Protection Tax Credit (REAP) is administered by the State Conservation Commission (SCC) under Article XVII-E of the Tax Reform Code of 1971 and provides an incentive for farmers and agricultural businesses to institute "Best Management Practices" (BMP) to protect Pennsylvania natural resources. Pennsylvania farmers or businesses must apply to the SCC with an eligible BMP project; and must agree to maintain the BMP for the life span of the practice as defined by the SCC. Tax credits are awarded at 50% - 90% of eligible implementation costs, dependent on the type of BPM, up to \$250 thousand in a 7-year period per agricultural operation. The program is first come/first served up to the annual program cap of \$13 million. The tax credit must be first applied against the tax liability in the year of issuance, may be carried forward 15 years, and may be sold to an eligible entity after one year from the date-of-issuance of the credit. If the BMP is not maintained for the entire defined life span, all tax credits must be refunded. Tax credits may be utilized against the following taxes: corporate net income,

**NOTE 13 - TAX ABATEMENTS (continued)**

personal income, bank and trust company shares, mutual thrift institutions, insurance premiums, and title insurance company shares. For the fiscal year ended June 30, 2020, \$5.6 million in taxes were abated.

- The Tax Credit for New Jobs, formerly and more commonly known as the Job Creation Tax Credit (JCTC) is administered by the Department of Community and Economic Development (DCED) under Article XVIII-B of the Tax Reform Code of 1971, and promotes economic growth through the expansion of jobs at existing or new Pennsylvania businesses. To be eligible to receive the JCTC, the business must apply to DCED with a plan of the anticipated number of jobs to be created. At a minimum, a business must agree to create 25 or more new full-time jobs or increase employment by 20% in Pennsylvania, and once approved by DCED the business has three years after an assigned start date to create the full-time jobs. To qualify as a full-time position, the employee must earn an hourly wage of at least 150% of the federal minimum wage. Additionally, the business must demonstrate financial stability, leadership in business technology or innovation, and that the business decision to expand or locate within the Commonwealth was based in part on the JCTC opportunity. Businesses must also agree to maintain operations for five years from the start date. Although businesses do not receive the tax credit until after the jobs are created, if businesses do not maintain operations for five years all tax credits must be refunded. If a business does not create the required promised number of jobs, penalties may be assessed. The tax credit is awarded at \$1 thousand per full-time job or \$2.5 thousand if the job is filled by a veteran or unemployed individual. The JCTC is awarded first come/first served, up to the annual program cap of \$10.1 million. Additionally, a minimum of 25% of all credits must be awarded to small businesses with 100 or less employees. Tax credits can be applied up to 100% of the business' tax liability, must be claimed within five years of the tax credit certificate, and may not be sold. Tax credits may be utilized against the following taxes: corporate net income, personal income, bank and trust company shares, mutual thrift institutions, gross receipts, gross premiums, and title insurance company shares. In conjunction with the JCTC, the Commonwealth also at times committed to providing other economic growth opportunities in the form of grants, loans, and training reimbursements. Act 13 of 2019 enacted a sunset date for new program awards as of June 30, 2020. Credits awarded prior to June 30, 2020 will continue to be eligible for future tax abatement following the previously established rules. For the fiscal year ended June 30, 2020, \$3.0 million in taxes were abated.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**Construction and Other Commitments:** At June 30, 2020 the Department of Transportation (DOT) had contractual commitments of approximately \$7,155,183 for various DOT highway construction and mass transit projects. Financing for these future expenditures will be primarily from approved federal grants and general obligation bond proceeds. In addition, the Commonwealth has a variety of contractual and other commitments for future subsidies and purchases of goods and services for approximately \$7,379,165 at June 30, 2020. Actual expenditures are contingent upon approved spending authority and/or availability of financial resources.

**Encumbrances:** The Commonwealth utilizes encumbrances to account for outstanding commitments for open purchase orders and unfulfilled contracts. Amounts related to encumbrances based on outstanding purchase orders or other contracts are as follows:

General Fund.....	\$ 894,550
Motor License Fund.....	290,611
Capital Facilities Fund.....	1,148,440
Other nonmajor funds.....	<u>499,138</u>
Total.....	<u>\$ 2,832,739</u>

**Investment Commitments:** At June 30, 2020, the Treasury Commonwealth Investment Program had capital commitments of \$233,624 to fund alternative investments, none of which was unfunded. At June 30, 2020, the **Tuition Payment Fund** had capital commitments of \$480,991 to fund alternative investments, of which \$32,087 was unfunded. At June 30, 2020, the Other Postemployment Benefits funds, REHP and RPSPP, had capital commitments of \$10,000 to fund alternative investments of which \$8,155 was unfunded.

**Loan and Grant Commitments:** At June 30, 2020 primary government funds had approved \$18,402 in loans that had not been disbursed. Also at June 30, 2020 the **Commonwealth Financing Authority (CFA)**, a blended component unit, had approved loans and grants that had not been disbursed of \$607,383.

**Operating Lease Commitments:** As of June 30, 2020, the Commonwealth has commitments to lease certain buildings and equipment. Future minimum rental commitments for non-cancelable operating leases as of June 30, 2020 were as follows:

Fiscal year ending June 30:	
2021.....	\$ 327,980
2022.....	256,438
2023.....	225,134
2024.....	196,596
2025.....	163,032
2026-30.....	502,353
2031-35.....	98,083
2036-40.....	15,346
2041-45.....	45
2046-50.....	45
Total Minimum Lease Payments.....	<u>\$ 1,785,052</u>

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 2020 amounted to \$347,259.

In 2016, the Commonwealth amended a long-term lease agreement with Harristown Development Corporation (HDC) in order to finance energy efficiency upgrades and capital improvements to the leased office space. The Commonwealth issued \$38,935 of certificates of participation, which are secured and payable through the annually appropriated lease payments paid by Commonwealth to HDC. The certificates are not secured by a pledge of the Commonwealth’s full faith, credit and taxing power, and the Commonwealth has no obligation beyond the annually appropriated lease payments. For the fiscal year ended June 30, 2020, the lease payments assigned for payment of debt service totaled \$5,724. As of June 30, 2020, the total principal remaining on the certificates of participation is \$26,055.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)**

**Child Support Payments:** At June 30, 2020, the Commonwealth was contingently liable for approximately \$21,473 in payments received by a contractor to be used for child support payments.

**Litigation:** The Commonwealth is a defendant in numerous legal proceedings pertaining to matters normally incidental to routine operations. Such litigation includes, but is not limited to, claims asserted against the Commonwealth arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of Commonwealth and Federal laws. The Commonwealth has reported accrued liabilities at June 30, 2020 with respect to torts as described in Note 8 for probable losses. The Commonwealth is also a party to a litigation case where the likelihood for a unfavorable outcome is probable, with potential liabilities for the **General Fund** ranging from \$0 to \$200,000. Where no value within the range is more probable than another, the Commonwealth's policy is to recognize liabilities as of the lowest amount. As such, the Commonwealth did not recognize additional general long-term obligations related to this claim at June 30, 2020.

Additionally, the Commonwealth is currently involved in certain legal proceedings for which the likelihood of an unfavorable outcome is reasonably possible and may impair future revenue sources. Unfavorable outcomes for such cases, which the Commonwealth is vigorously contesting, could range from approximately \$26,000 to \$242,000 for the **General Fund**; \$10,000 to \$76,000 for the Philadelphia Regional Port Authority, an enterprise fund; and \$100 to \$1,069,000 of possible additional liabilities for the State Employees' Retirement System, a fiduciary fund. The range of potential liability for governmental activities is from \$26,000 to \$242,000. The liability for these cases has not been recorded as of June 30, 2020.

**Federal Grants:** The Commonwealth receives significant financial assistance from the Federal Government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal Government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the Commonwealth. The Commonwealth is currently involved in administrative and legal proceedings, with certain federal agencies, contesting various disallowances and sanctions related to federal assistance programs ranging from \$24,000 to \$169,000 at June 30, 2020. The Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$3,935,169 from the Coronavirus Relief Fund (CRF) to the Commonwealth, with \$2,365,502 remaining to be spent at June 30, 2020. The funds are anticipated to be fully utilized on allowable expenses by December 30, 2020, however, any monies unspent at that time will revert back to the U.S. Treasury.

**Unemployment Compensation Payments:** Due to the impacts of COVID-19, the Pennsylvania Office of Unemployment Compensation experienced record quantities of claims for the fiscal year ended June 30, 2020. Claims related to the fiscal year ended June 30, 2020, but approved after year-end were recorded as a liability of the Unemployment Compensation Fund. Of the outstanding claims under review, many are pending adjudication or analysis of potential fraud. On November 7, 2020, the Pennsylvania Department of Labor and Industry expanded the ability to backdate unemployment claims from 6 weeks to 52 weeks. The Commonwealth considers it probable that a portion of these claims will be paid, but there is no reasonable basis to estimate the quantity of claims still to be received or the number of claims that will be determined ineligible. For the portion of claims that may be approved in the future, the majority would be reimbursable by federal funding.

**Lottery Prizes:** The **State Lottery Fund (Lottery)**, an enterprise fund, awards a variety of prizes, including immediate, lump-sum cash prizes and certain large prizes, which provide for periodic payments to winners for specific periods of time (in some cases throughout the winners' lifetimes, and to designated beneficiaries). At June 30, 2020, the amount of future payments owed to prizewinners was \$453,083. To satisfy its financial obligation to these prizewinners, the **Lottery** purchases annuity contracts from insurance companies whereby the insurance companies make periodic payments to prizewinners. Generally, in the event of insurance company default, the **Lottery** is liable for the related annuity payments. However, certain prizewinners voluntarily assign their annuity rights to other parties and receive lump-sum payments in return. In the event of insurance company default where annuity rights have been voluntarily assigned by prizewinners, the **Lottery** is not liable for the related annuity payments. At June 30, 2020, prizewinners had voluntarily assigned future payments of \$585,327.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)**

**Pennsylvania Turnpike Commission (PTC):** The PTC, a discretely presented component unit, had \$1,006,173 of Special Revenue Bonds outstanding at May 31, 2020. Pursuant to Act 44 of 2007 the PG, through its **Motor License Fund**, provided security for these bonds in the event of a debt service shortfall. This guarantee extends until the retirement or defeasance of any special revenue bonds or until October 13, 2057, whichever is sooner. To date, the PTC has made all required Special Revenue Bond debt service payments. No funds have been drawn or requested from the Commonwealth's **Motor License Fund** for special revenue bond debt service during the current reporting period or any prior reporting periods. In the event that the Commonwealth's **Motor License Fund** would be required to make a special revenue bond debt service payment, a provision of the Amended Lease and Funding Agreement, executed between the PTC and the **Motor License Fund**, requires the PTC to reimburse the **Motor License Fund** for any special revenue bond debt service payments plus interest.

During the PTC's fiscal year ending May 31, 2020, total interest and principal due on the \$1,006,173 of special revenue bonds outstanding at May 31, 2020 will amount to \$35,743 and \$13,075, respectively. Disclosures related to the PTC's special revenue bonds payable as of May 31, 2020 are provided in Note 16 to the basic financial statements.

**Loan Guarantees:** The **CFA**, through various economic development programs, provided loan guarantees as of June 30, 2020 as follows:

First Industries Loan Guarantees .....	\$	12,885
Tax Increment Financing Guarantees .....		18,513
New Pennsylvania Venture Guarantees .....		54,998
		86,396
Total Loan Guarantees .....	\$	86,396

In the event a borrower is unable to make the required debt service payment on a guaranteed debt issuance, or a loss is incurred on the aggregate guaranteed investment portfolio, the **CFA** is required to make payment. The guarantees related to the First Industries and Tax Increment Financing Guarantee extend through July 15, 2035 and July 1, 2032, respectively, as of June 30, 2020. The guarantees related to the New Pennsylvania Venture Guarantee Program extend throughout the life of the investment portfolio.

**Nonexchange Financial Guarantees:** As of June 30, 2020, the Commonwealth, in accordance with Act 52 of 2013 as amended by Act 84 of 2016, guarantees the remaining \$5,365 of the 25-year, \$6,000 August 2017 conduit debt loan entered into by the Bethlehem Revitalization & Improvement Authority (BRIA), a legally separate reporting entity. The loan matures in 2044, with a variable interest rates of at least 4.375% during the loan term. The Commonwealth also guarantees the remaining \$1,617 of the \$2,273 conduit debt loan entered into by the BRIA in 2019. The conduit debt instruments are not reported as liabilities in the BRIA's financial statements. These notes are secured by the respective property financed and are payable solely from payments received on the underlying note between lending banks and the borrowers. In the event that the BRIA is unable to make payment on these obligations, the Commonwealth will be required to make that payment on behalf of the BRIA under the borrowing provision within the CRIZ law.

The Commonwealth guarantees the assets of the Tamaqua Revitalization & Improvement Authority (TRIA) to cover all public funds deposited in excess of FDIC limits. As of the TRIA's fiscal year ended December 31, 2019, none of the Authority's bank balance was exposed to custodial credit risk.

The **CFA** has recognized a liability for nonexchange financial guarantees at June 30, 2020 of \$15,012 and has made cumulative payments of \$12,305 for said amount. The **CFA** expects to recover a portion of these amounts in future periods; however, at this time the amount of any future recoveries is undeterminable.

Balance				Balance
July 1, 2019	Additions	Reductions	June 30, 2020	
\$ 16,843	\$ —	\$ 1,831	\$	15,012

**NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)**

**Primary Government Commitment for the Pennsylvania Convention Center Authority (PCCA):** According to a contractual arrangement (Operating Agreement) among the Commonwealth, the City of Philadelphia, and the PCCA, a discretely presented component unit, the Commonwealth is required to make payments to the PCCA to finance operating deficits. Such payments are to be primarily financed using the Gaming Fund. The Gaming Fund is used to finance a variety of programs and/or projects and the Gaming Fund itself may be unable to finance all of the PCCA operating deficits during the term of the Operating Agreement, which expires in 2039. In that event, primary government payments to the PCCA based on the Operating Agreement must be financed using funds separate from the Gaming Fund; such amounts are subject to annual appropriation by the General Assembly.

**Primary Government Commitment for the CFA:** According to a contractual arrangement (Service Agreement) among the Department of Community and Economic Development, the Office of the Budget and the CFA, the primary government is required to request sufficient annual appropriations from the General Assembly (to be funded by the General Fund and the Gaming Fund) to finance the service fee established in the Service Agreement. The service fee is the only significant source of funds the CFA has to pay its debt service obligations. The amount of such service fee is to be requested by October 1, each year, for the succeeding fiscal year budget effective July 1 of the following year. During the term of the Service Agreement, there can be no assurance that 1) the General Assembly will annually appropriate sufficient amounts to fund the annual service fee, or 2) funds will be available to finance such annual appropriations. During the fiscal year ended June 30, 2020 the primary government paid a service fee in the amount of \$441,950. Disclosures related to the CFA's \$4,273,600 of revenue bonds payable are provided in Note 6 to the basic financial statements.

**Primary Government Commitment for the Pittsburgh Penguins Arena:** A lease agreement between the Commonwealth and the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA) created a 'subject to appropriation' obligation of the Commonwealth. In October 2007, the SEA issued \$313,300 of Commonwealth Lease Revenue Bonds (the Arena Bonds) to finance a multi-purpose arena to serve as home of the Pittsburgh Penguins (the Penguins), a hockey team in the National Hockey League. The Arena Bonds are not debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged. These special revenues include annually (1) \$4,100 from a lease with the Penguins, (2) not less than \$7,500 from the operator of a casino located in the City of Pittsburgh, and (3) \$7,500 from the Commonwealth's Gaming and Economic Development and Tourism Fund. While the special revenues are currently projected to be adequate to pay all debt service on the Arena Bonds, to the extent such revenues in any year are inadequate to cover debt service, the Commonwealth is obligated under the Arena Lease to fund such deficiency, subject in all cases to appropriation by the General Assembly. The maximum annual amount payable by the Commonwealth under the Arena Lease is \$19,100.

In April 2010, the SEA issued \$17,360 in additional Commonwealth Lease Revenue Bonds (the Supplemental Arena Bonds). The Supplemental Arena Bonds do not constitute debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged therefor. The Commonwealth is obligated under the Arena Lease to fund any deficiency in special revenues necessary to pay debt service; subject in all cases to appropriation by the General Assembly. For fiscal year ended June 30, 2020 the actual amount appropriated to support the SEA debt service was \$3,793.

**NOTE 15 - NET POSITION AND FUND BALANCE**

**Governmental Activities and Business-Type Activities Net Position:** Total net position is the difference between total assets and total deferred outflows of resources less total liabilities and total deferred inflows of resources as reported on the statement of net position. Total net position is reported in three distinct components: Net investment in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets less accumulated depreciation and the outstanding liability (excluding unspent proceeds) for debt specifically related to the construction and acquisition of the capital assets. At June 30, 2020, governmental and business-type activities, respectively, reported net investment in capital assets of \$34,888,556 and \$753,154.

Restricted net position is reported based on constraints imposed by either: 1) creditors, grantors, contributors, or laws or regulations of the Federal or other governments; or 2) Commonwealth enabling legislation. At June 30, 2020, governmental and business-type activities, respectively, reported \$3,194,579 and \$2,896,036 of restricted net position. Net position restricted for other purposes of \$159,771 for business-type activities at June 30, 2020 include amounts for a range of dissimilar statutory purposes.

Unrestricted net position represents total net position less the amounts of net investment in capital assets and restricted net position. At June 30, 2020, governmental and business-type activities, respectively, reported unrestricted net position deficits of \$44,708,988 and \$4,699,861.

**Governmental Funds Fund Balance:** Reported fund balance within individual governmental funds is categorized between nonspendable and spendable categories. At June 30, 2020 nonspendable fund balance is only reported for amounts which are not in spendable form; no nonspendable fund balance is reported based on either legal or contractual requirements to be maintained intact. Within the spendable category, fund balance is further categorized among: restricted, committed, assigned and, unassigned categories. For the **General Fund**, balances may be reported within any of the four spendable categories. However, for all other funds, all balances must be reported within the restricted, committed, or assigned categories, with the exception of a fund balance deficit, which then must be reported in the unassigned category. At June 30, 2020, spendable governmental funds fund balance is categorized among all categories except that no assigned fund balance is reported among any governmental fund for which reporting assigned fund balance would cause reporting a deficit unassigned fund balance. The following chart provides detail about reported nonspendable fund balance and fund balance restrictions and commitments at June 30, 2020:

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

	General Fund	Motor License Fund	Nonmajor Funds	Total
<b>Nonspendable:</b>				
<b>Not in spendable form:</b>				
Advances to other funds.....	\$ 8,667	\$ —	\$ —	\$ 8,667
Long-term loans receivable.....	31,796	—	—	31,796
Due from component unit.....	129,785	—	—	129,785
<b>Total nonspendable.....</b>	<b>170,248</b>	<b>—</b>	<b>—</b>	<b>170,248</b>
<b>Restricted for:</b>				
General government operations.....	21,779	—	74,384	96,163
Health-related programs.....	—	—	38,623	38,623
Transportation.....	—	595,346	1,349,278	1,944,624
Unemployment/worker's compensation.....	—	—	1,163,038	1,163,038
Environmental and conservation programs.....	—	—	781,403	781,403
Economic development.....	—	—	11,286	11,286
Gaming/horse racing regulation.....	—	—	274,850	274,850
Emergency support.....	—	—	113,424	113,424
Beneficiaries.....	—	—	889,121	889,121
<b>Total restricted.....</b>	<b>21,779</b>	<b>595,346</b>	<b>4,695,407</b>	<b>5,312,532</b>
<b>Committed for:</b>				
General government operations.....	2,346,942	—	—	2,346,942
Health-related programs.....	—	—	6,648	6,648
Transportation.....	—	—	41,284	41,284
Capital projects.....	—	—	318,027	318,027
Debt service.....	—	—	5,158	5,158
Elderly programs.....	14,397	—	—	14,397
Environmental and conservation programs.....	117,407	—	57,429	174,836
Economic development.....	118,316	—	—	118,316
Higher education.....	241,448	—	—	241,448
Budget stabilization.....	343,083	—	—	343,083
Beneficiaries.....	15	—	—	15
<b>Total committed.....</b>	<b>3,181,608</b>	<b>—</b>	<b>428,546</b>	<b>3,610,154</b>
<b>Unassigned:</b>				
Deficit.....	(4,898,838)	—	(14,874)	(4,913,712)
<b>Total fund balances.....</b>	<b>\$ (1,525,203)</b>	<b>\$ 595,346</b>	<b>\$ 5,109,079</b>	<b>\$ 4,179,222</b>

A portion of the nonspendable fund balance reported by the **General Fund**, \$8,667, is applicable to advances to other funds at June 30, 2020 as follows: \$2,300 to the **State Workers' Insurance Fund**, an enterprise fund; \$2,175 to the **Motor License Fund**; \$3,000 to the Medical Marijuana Program Fund; \$1,192 to the Gaming Fund, all special revenue funds, respectively.

**Governmental Funds Fund Balance Deficit:** In addition to the fund balance deficit shown in the table above for the **General Fund**, the Uninsured Employers' Guaranty Fund and the Philadelphia Taxicab and Limousine Regulatory Fund, both special revenue funds, reported deficits of \$14,618 and \$256, respectively, at June 30, 2020.

**Proprietary Funds Net Position:** Nonmajor enterprise funds reported total restricted net position for "other purposes" of \$159,771 at June 30, 2020 for the following programs: mine subsidence insurance, \$149,870; vocational support, \$2,479; maintain historical properties, \$2,283; restaurant maintenance in state facilities, \$635; local government loans, \$4,496; and port operations, \$8.

**NOTE 15 - NET POSITION AND FUND BALANCE (continued)**

**Proprietary Funds Unrestricted Net Position Deficits:** In addition to unrestricted net position deficits reported in four of the six major enterprise funds (**State Workers' Insurance Fund, State Lottery Fund, State Stores Fund** and the **Commonwealth Financing Authority**, a blended component unit), one nonmajor enterprise fund and two internal service funds reported an unrestricted net position deficit in the statement of net position-proprietary funds at June 30, 2020. The Rehabilitation Center Fund, an enterprise fund, reported an unrestricted net position deficit of \$59,785 at June 30, 2020.

The Manufacturing Fund and the Purchasing Fund, both internal service funds, reported unrestricted net position deficits of \$23,592 and \$52,505, respectively, at June 30, 2020. With the Commonwealth's implementation of GASB Statements No. 68 and No. 75, these funds have reported pension and other postemployment benefit liabilities, causing these deficits.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS**

Discretely Presented Component Units (DPCUs) as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, paragraph 20, and amended by GASB 61, paragraph 4b, are legally separate organizations for which the elected officials of the primary government (PG) are financially accountable. In addition, DPCUs can be other organizations of which the nature and significance of their relationship with the PG is such that exclusion of these organizations from the PG's financial statements would be misleading. DPCUs are established for the benefit of the Commonwealth's citizenry for a variety of purposes such as economic development, financing and public transportation. The following DPCU disclosures include only information that is deemed essential to the fair presentation of the Commonwealth's financial statements.

**Deposits, Investments and Financial Instruments with Off-Balance Sheet Risk**

DPCU organizations typically control receipt and disbursement of their own deposits, often through a trustee. Enabling legislation provides varying authority for investments; several DPCU organizations participate in the Commonwealth Investment Program (CIP).

**Fair Value of Investments**

The following table categorizes the investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs; the fair value of certain investments that do not have a readily determinable fair value are classified as net asset value (NAV).

A more detailed discussion of the application of the fair value hierarchy as it applies to each component unit is available from the component units separately issued financial statements.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Investment Type/Fair Value	PTC	PHFA	PHEAA	PENNVEST	SSHE
Asset backed securities					
Level 2 .....	\$ —	\$ —	\$ —	\$ —	\$ 193,491
Bond mutual funds					
Level 1 .....	—	—	—	—	3,891
NAV .....	—	—	—	—	14,082
Commercial paper					
Level 2 .....	—	—	91,181	—	148,958
Common stock					
Level 1 .....	—	—	—	—	2,647
Commonwealth investment pool					
Level 2 .....	—	—	—	1,288,247	—
NAV .....	—	—	350,289	—	—
Corporate obligations					
Level 2 .....	204,816	—	—	—	209,690
Debt securities					
Level 1 .....	—	—	—	—	487
Level 2 .....	—	—	—	—	507
Equity balanced mutual funds					
Level 1 .....	—	—	—	—	16,971
Level 2 .....	—	—	—	—	2,960
Level 3 .....	—	—	—	—	1,652
NAV .....	—	—	—	—	22,599
GNMA mortgages					
Level 2 .....	1,168	—	—	—	—
Investment derivatives					
Level 2 .....	4,924	—	—	—	—
Money market mutual funds					
Level 1 .....	—	—	146,178	—	—
Level 2 .....	—	—	58,265	—	64,694
Mortgage-backed securities					
Level 2 .....	—	89,293	—	—	182,191
Municipal bonds					
Level 2 .....	39,518	—	—	—	—
U.S. Government agency obligations					
Level 1 .....	—	—	—	—	358
Level 2 .....	73,030	126,256	—	—	220,580
U.S. Treasury obligations					
Level 1 .....	1,316,725	—	—	—	—
Level 2 .....	—	—	—	—	52,986
Subtotal Level 1 .....	1,316,725	—	146,178	—	24,354
Subtotal Level 2 .....	323,456	215,549	149,446	1,288,247	1,076,057
Subtotal Level 3 .....	—	—	—	—	1,652
Subtotal NAV .....	—	—	350,289	—	36,681
Total .....	\$ 1,640,181	\$ 215,549	\$ 645,913	\$ 1,288,247	\$ 1,138,744

Note: Does not include PENNVEST securities lending collateral of \$13,825 or \$575,793 of investments reported by component units of the SSHE.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)****Deposit Risks**

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the DPCU would not be able to recover the value of the deposits.

At May 31, 2020, \$29,700 of the Pennsylvania Turnpike Commission's (PTC) demand deposits were exposed to custodial credit risk, as they were uninsured and collateralized with securities held by an agent of the pledging financial institution but are not in the PTC's name.

The Pennsylvania Housing Finance Agency (PHFA) held \$330,258 of cash deposits that were uninsured but collateralized in accordance with the Commonwealth of Pennsylvania Act 72 of 1971, as amended, by securities held by the pledging financial institution, its trust department or agent, but not in the PHFA's name.

The Pennsylvania Higher Education Assistance Agency (PHEAA) held \$14,800 of deposits with financial institutions in excess of federal depository insurance limits that were uninsured.

The majority of the Pennsylvania Infrastructure Investment Authority (PENNVEST) deposits are held in the CIP. Deposits of the CIP must be held in insured depositories and must be fully collateralized.

The Pennsylvania State System of Higher Education (SSHE) held \$1,630 of uninsured and uncollateralized deposits of which \$109,042 was covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended.

**Investment Risks**

**Risk Management Policies:** DPCU policies for certain risks are established by governing boards and bond indentures. Credit quality risk is addressed by establishing minimum nationally recognized statistical rating organization (NRSRO) ratings for allowable investment purchases. Concentration of credit risk is also avoided by limiting the concentration of investments in any one issuer. Some organizations have policies in place that prohibit a certain percent of the overall portfolio, whereas others determine concentration limits based on security type. Custodial credit risk is typically avoided through registration.

The PTC investment policies established by its bond indentures and the PTC management define guidelines and operational factors governing the investment of financial assets. Management's policy generally has the same restrictions regarding permitted investments as the indentures. Allowable investments include obligations of, or obligations guaranteed by, the United States of America, its agencies, and its instrumentalities; certificates of deposit issued by institutions insured by the FDIC or fully collateralized with United States Government obligations; investment agreements with certain financial institutions; commercial paper and asset-backed securities rated in the highest category by applicable rating agencies; money market funds and auction rate certificates rated in one of the two highest categories by applicable rating agencies; corporate bonds and medium term notes with a minimum rating of AA-; investments in bonds or notes issued by any state or municipality which are rated by S&P, Moody's and Fitch in one of their two highest rating categories; and repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York collateralized with obligations of, or guaranteed by, the United States of America. All investment ratings shall be based on security ratings at the time of purchase. The portfolio's average credit quality should be rated Aa3/AA- or better by Moody's/S&P.

Commonwealth statutes and contractual provisions contained in the bond trust indentures govern the investment policies of the PHFA. The Housing Finance Agency Law, December 3, 1959, P.L. 1688 as amended December 5, 1972, P.L. 1259, No. 282 ("Act") and bond indentures provide the authority to invest all PHFA funds. In compliance with the Act and bond indentures, it is the policy of the PHFA to invest in securities that provide suitable returns, preserve principal, meet liquidity needs and to further the purposes of the PHFA. The PHFA mitigates its credit risk by limiting investments to those permitted in its deposit and investment policies, diversifying the investment portfolio and prequalifying firms with which PHFA administers its investment activities.

The PHEAA Board of Directors authorizes the investment guidelines and PHEAA management governs the investments by using the "prudent person" rule. Generally, the PHEAA's investments are limited to U.S. Government securities, U.S. Government agency securities, federal instrumentalities sponsored by U.S. agencies, high-grade commercial paper, repurchase agreements

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

collateralized by U.S. Treasury obligations, certificates of deposit, banker's acceptances eligible for purchase by the Federal Reserve System, and other investments approved by the Board of Directors.

The trust indenture and the Commonwealth Fiscal Code, as amended, authorizes PENNVEST to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements, highly rated bank promissory notes or investment of funds or trusts; and "prudent person" investments as determined by PENNVEST's depository.

The SSHE investment policy is established by board policy and authorizes SSHE to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker's acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations, asset-backed securities, and internal loan funds.

Investment Type	PTC	PHFA	PHEAA	PENNVEST	SSHE
Asset-backed securities	\$ —	\$ —	\$ —	\$ —	\$ 193,491
Bond mutual funds	—	—	—	—	17,973
Commercial paper	—	—	91,181	—	148,958
Common stock	—	—	—	—	2,647
Corporate obligations	204,816	—	—	—	209,690
Debt securities	—	—	—	—	994
Derivatives	4,924	—	—	—	—
Equity/balanced mutual funds	—	—	—	—	44,182
GNMA mortgages	1,168	—	—	—	—
Money market mutual funds	—	—	204,443	—	64,694
Mortgage backed securities	—	89,293	—	—	182,191
Municipal bonds	39,518	—	—	—	—
Securities lending collateral	—	—	—	13,825	—
Commonwealth Investment Program	—	—	350,289	1,288,247	—
U.S. Government and agency obligations	73,030	126,256	—	—	220,938
U.S. Treasury obligations	1,316,725	—	—	—	52,986
<b>Total investments</b>	<b>1,640,181</b>	<b>215,549</b>	<b>645,913</b>	<b>1,302,072</b>	<b>1,138,744</b>
Certificates of deposit	—	—	—	—	332
Money market funds	—	—	—	—	14,552
<b>Total deposits</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 14,884</b>
<b>Total investments and deposits</b>	<b>\$ 1,640,181</b>	<b>\$ 215,549</b>	<b>\$ 645,913</b>	<b>\$ 1,302,072</b>	<b>\$ 1,153,628</b>

Note: Total investments by type does not include \$575,793 of investments reported by component units of the SSHE.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the organizations’ investment in a single issuer.

The PTC’s investment policy defines permitted investments along with the following concentration limitations. Investments in any single federal agency are limited to 35% of the portfolio. Investments in certificates of deposit and investment agreements are limited to 30% of the portfolio and combined exposure to commercial paper, corporate bonds, and asset-backed securities, in aggregate, is limited to 35% of the total portfolio. Investments in any single issuer, excluding U.S. Treasury and federal agencies, are limited to 5% of the portfolio.

The PHFA has various maximum investment limits both by the type of investment and by issuer to prevent inappropriate concentration of credit risk.

The PHEAA investment policy does not contain requirements that limit the amount that can be invested in any one issuer.

The PENNVEST participates in the CIP managed by the Commonwealth. The Commonwealth places a 10% limit on the concentration of investments in any one fixed income issuer within the CIP. This limitation excludes government-sponsored enterprises, direct obligations of the U.S. Treasury or U.S. agencies, and repurchase agreements. The Commonwealth also places a 5% limit on the concentration of investments in one equity issuer within the CIP.

The SSHE investment policy contains the following limitations: U.S. Government securities together with repurchase agreements must comprise at least 20% of market value of the fund. Commercial paper investments must be P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer and may not exceed 20% of the market value of the fund. Municipal bonds must carry a long-term debt rating of A or better and may not exceed 20% of the market value of the fund. Corporate bonds may not exceed 20% of the market value of the fund; 15% must carry a long-term debt rating of A or better while 5% may be rated Baa2 or better. Collateralized mortgage obligations must be rated Aaa and guaranteed by the U.S. Government and may not exceed 20% of the market value of the fund. Asset-backed securities must be Aaa rated and the total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer. Investment fund loans may not exceed 20% of the market value of the fund and the loan terms may not exceed five years.

The following concentration existed as of June 30, 2020:

<b>Issuer Name</b>	<b>PHFA</b>
Government National Mortgage Association.....	\$ 68,340
Tennessee Valley Authority.....	94,673
Federal Farm Credit Bank.....	15,120
Federal Home Loan Bank.....	8,031
	<b><u>\$ 186,164</u></b>

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**Credit Risk:** The following table discloses aggregate fair value, by Moody's or Standard and Poor's credit quality rating category, at June 30, 2020 (May 31, 2020 for the PTC):

<b>Moody's Investors Service</b>	<b>PTC</b>	<b>PHFA</b>	<b>PHEAA</b>	<b>PENNVEST</b>	<b>SSHE</b>
Aaa.....	\$ —	\$ 138,777	\$ —	\$ —	\$ 641,507
Aa.....	4,283	—	—	—	25,143
A.....	641	—	—	—	158,307
Baa.....	—	—	—	—	46,597
Ba.....	—	—	—	—	71
P1.....	—	—	—	—	148,958
<b>Moody's Investors Service subtotal.....</b>	<b>4,924</b>	<b>138,777</b>	<b>—</b>	<b>—</b>	<b>1,020,583</b>
<b>Standard and Poor's</b>					
AAA.....	56,342	—	204,443	—	—
AA.....	207,495	—	—	—	—
A.....	53,447	—	91,264	—	—
Below A.....	80	—	—	—	—
<b>Standard and Poor's subtotal.....</b>	<b>317,364</b>	<b>—</b>	<b>295,707</b>	<b>—</b>	<b>—</b>
<b>Rated Subtotal.....</b>	<b>322,288</b>	<b>138,777</b>	<b>295,707</b>	<b>—</b>	<b>1,020,583</b>
<b>Unrated</b>					
Bond mutual funds.....	—	—	—	—	17,973
Mortgage backed securities.....	—	68,340	—	—	—
Commonwealth Investment Program.....	—	—	350,289	1,288,247	—
U.S. Government agency obligations.....	1,168	8,432	—	—	373
U.S. Treasury obligations.....	1,316,725	—	—	—	52,986
<b>Unrated subtotal.....</b>	<b>1,317,893</b>	<b>76,772</b>	<b>350,289</b>	<b>1,288,247</b>	<b>71,332</b>
<b>Total Fixed income investments.....</b>	<b>1,640,181</b>	<b>215,549</b>	<b>645,996</b>	<b>1,288,247</b>	<b>1,091,915</b>
<b>Variable income investments</b>					
Equity/balanced mutual funds.....	—	—	—	—	44,182
Common stock.....	—	—	—	—	2,647
<b>Variable income investments subtotal....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>46,829</b>
<b>Total investments.....</b>	<b>\$ 1,640,181</b>	<b>\$ 215,549</b>	<b>\$ 645,996</b>	<b>\$ 1,288,247</b>	<b>\$ 1,138,744</b>

Note: Total investments do not include \$575,793 reported by component units of the SSHE or PENNVEST securities lending collateral of \$13,825.

U.S. Government agency obligations include all securities issued by the U.S. Treasury, U.S. Government agencies, and U.S. Government Sponsored Enterprises. These include securities that are both explicitly and implicitly guaranteed by the full faith and credit of the U.S. Government. Many of these securities are not usually rated by a NRSRO and have an implied rating of Aaa/AAA.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**Interest Rate Risk:** Interest rate risk is managed using different techniques: weighted average maturity, maximum maturity dates, effective duration, modified duration or operational cash needs. The following table discloses option-adjusted duration (in years) by investment type for the fixed income portfolio of the PTC at May 31, 2020 and the SSHE at June 30, 2020:

Investment Type	PTC		SSHE		
	Amount	Option-Adjusted Duration	Amount	Option-Adjusted Duration	Securities with no Duration
Asset backed securities	\$ —	—	\$ 193,491	0.49	\$ —
Bond mutual funds	—	—	17,973	4.21	—
Certificates of deposit	—	—	—	—	332
Commercial paper	—	—	148,958	0.15	—
Corporate obligations	204,816	1.14	208,964	2.22	726
Debt securities	—	—	994	4.24	—
GNMA mortgages	1,168	4.29	—	—	—
Money market mutual funds	—	—	—	—	64,694
Mortgage-backed securities	—	—	182,191	1.72	—
Municipal bonds	39,518	2.33	—	—	—
U.S. Government agency obligations	73,030	0.69	220,938	1.17	—
U.S. Treasury obligations	1,316,725	2.72	52,986	0.28	—
<b>Total</b>	<b>\$ 1,635,257</b>		<b>\$ 1,026,495</b>		<b>\$ 65,752</b>

The PHFA and PHEAA do not use option-adjusted duration as a means of managing interest rate risk; the following provides segmented time distribution for those organizations at June 30, 2020:

Investment Type	PHFA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Mortgage-backed securities	\$ —	\$ 20,832	\$ 68,461	\$ 89,293
U.S. Government agency obligations	8,403	13,100	104,753	126,256
<b>Total</b>	<b>\$ 8,403</b>	<b>\$ 33,932</b>	<b>\$ 173,214</b>	<b>\$ 215,549</b>

Investment Type	PHEAA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Commercial paper	\$ 91,181	\$ —	\$ —	\$ 91,181
Money market mutual funds	204,443	—	—	204,443
Commonwealth Investment Program	350,289	—	—	350,289
<b>Total</b>	<b>\$ 645,913</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 645,913</b>

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**Derivatives**

As of May 31, 2020, the PTC in its separately-issued financial statements reported noncurrent hedging derivative instrument liabilities of \$217,154 which were offset by reported deferred outflow of resources of \$217,154. Changes in the net fair value of the hedging derivative instruments during the fiscal year ended May 31, 2020 (\$90,634) were deferred.

As of June 30, 2020, the PHFA, in its separately-issued financial statements, reported a noncurrent hedging derivative instrument liability of \$21,186. Changes in the fair value of the hedging derivatives of \$6,617 were deferred.

Further information regarding the nature and notional value of the hedging and investment derivative instruments of the PTC (as of May 31, 2020) and the PHFA (as of June 30, 2020) are available within their separately audited and issued financial statements.

**Loans Receivable**

Loans receivable at June 30, 2020 consisted of the following:

	<u>PHFA</u>	<u>PHEAA</u>	<u>PENNVEST</u>
Mortgage loans.....	\$ 3,657,435	\$ —	\$ —
Student loans.....	—	3,427,829	—
Drinking water, storm water and sewer system loans.....	—	—	2,665,638
<b>Subtotal</b> .....	<u>3,657,435</u>	<u>3,427,829</u>	<u>2,665,638</u>
Less: allowance for uncollectible amounts.....	161,351	4,826	24,635
<b>Loans receivable, net</b> .....	<u><u>\$ 3,496,084</u></u>	<u><u>\$ 3,423,003</u></u>	<u><u>\$ 2,641,003</u></u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Capital Assets

A summary of capital assets by category at May 31, 2020 for PTC and June 30, 2020 for SSHE is as follows:

PTC	Balance May 31, 2019	Increases	Decreases	Balance May 31, 2020
<b>Non-depreciable capital assets:</b>				
Land and intangibles.....	\$ 405,643	\$ 20,420	\$ 420	\$ 425,643
Construction in progress.....	1,490,161	620,870	322,346	1,788,685
<b>Subtotal</b> .....	<b>1,895,804</b>	<b>641,290</b>	<b>322,766</b>	<b>2,214,328</b>
<b>Depreciable capital assets:</b>				
Buildings.....	981,115	2,624	—	983,739
Improvements other than buildings.....	150,306	760	—	151,066
Equipment.....	642,785	75,526	11,508	706,803
Infrastructure.....	9,044,067	254,709	352,511	8,946,265
<b>Subtotal</b> .....	<b>10,818,273</b>	<b>333,619</b>	<b>364,019</b>	<b>10,787,873</b>
<b>Accumulated depreciation:</b>				
Buildings.....	435,971	23,078	—	459,049
Improvements other than buildings.....	83,828	6,198	—	90,026
Equipment.....	539,630	39,826	11,457	567,999
Infrastructure.....	5,514,650	312,986	352,510	5,475,126
<b>Total accumulated depreciation</b> .....	<b>6,574,079</b>	<b>382,088</b>	<b>363,967</b>	<b>6,592,200</b>
<b>Total capital assets being depreciated, net</b> .....	<b>4,244,194</b>	<b>(48,469)</b>	<b>52</b>	<b>4,195,673</b>
<b>Total capital assets</b> .....	<b>\$ 6,139,998</b>	<b>\$ 592,821</b>	<b>\$ 322,818</b>	<b>\$ 6,410,001</b>

SSHE	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
<b>Non-depreciable capital assets:</b>				
Land and intangibles.....	\$ 34,010	\$ 770	\$ —	\$ 34,780
Construction in progress.....	81,852	80,158	52,440	109,570
<b>Subtotal</b> .....	<b>115,862</b>	<b>80,928</b>	<b>52,440</b>	<b>144,350</b>
<b>Depreciable capital assets:</b>				
Buildings.....	2,825,704	147,091	—	2,972,795
Improvements other than buildings.....	321,842	13,829	—	335,671
Equipment.....	522,478	19,378	—	541,856
Library books.....	75,441	434	2,708	73,167
<b>Subtotal</b> .....	<b>3,745,465</b>	<b>180,732</b>	<b>2,708</b>	<b>3,923,489</b>
<b>Accumulated depreciation:</b>				
Buildings.....	1,171,403	106,667	1,849	1,276,221
Improvements other than buildings.....	169,583	11,581	61	181,103
Equipment.....	433,495	29,273	6,006	456,762
Library books.....	70,691	1,114	2,678	69,127
<b>Total accumulated depreciation</b> .....	<b>1,845,172</b>	<b>148,635</b>	<b>10,594</b>	<b>1,983,213</b>
<b>Total capital assets being depreciated, net</b> .....	<b>1,900,293</b>	<b>32,097</b>	<b>(7,886)</b>	<b>1,940,276</b>
<b>Total capital assets</b> .....	<b>\$ 2,016,155</b>	<b>\$ 113,025</b>	<b>\$ 44,554</b>	<b>\$ 2,084,626</b>

Note: Capital assets do not include \$835,907 and \$942,063 reported by the component units of the SSHE as of June 30, 2020 and 2019, respectively.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**Service Concession Arrangements**

There are 17 service plazas along the Turnpike System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The PTC has entered into long-term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco Retail LLC to design, reconstruct, finance, operate and maintain all of the service plazas. During fiscal year 2018, the agreement with Sunoco Retail LLC was assigned to 7-Eleven, Inc. All terms of the contract remained the same. The PTC has no responsibility for maintaining the service plazas under the agreements. The PTC maintains the ability to approve and/or modify the services that the operators can provide and the rates that can be charged. The service plaza operators are compensated by the users of the services and share a portion of that revenue with the PTC as rental payments. Upon completion of construction, the reconstructed assets are recognized by the PTC. The current contracts with HMSHost Restaurants, LLC and Sunoco Retail LLC and 7-Eleven Inc. expire on August 25, 2036 and January 31, 2022, respectively. 7-Eleven’s lease may be extended for three additional five-year periods. The first extension shall be at the discretion of 7-Eleven Inc., and the second and third extensions shall be mutually agreed to by both parties. As of May 31, 2020, the PTC had capitalized \$125,400 in capital assets representing all 17 service plazas that had fully completed construction and recorded deferred inflows of resources of \$79,900 related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2020 and in accordance with GASB Statement No. 60, the PTC recognized a receivable and deferred inflow of resources in the amount of \$26,600 for the present value of guaranteed minimum rent payments. Due to the COVID-19 pandemic, in a letter dated April 8, 2020, the PTC waived the payment of minimum annual rent as set forth in the lease agreement for calendar year 2020. The receivable and deferred inflow of resources have been adjusted for this waiver.

**Student loan auction rate security bonds payable, notes payable and other financing obligations**

During the fiscal year ended June 30, 2020, PENNVEST issued short-term obligations to finance the issuance of loans to program participants. These obligations are issued in the form of commercial paper, and bear interest, which is due upon maturity. During the fiscal year ended June 30, 2020, PENNVEST issued short-term obligations in the amount of \$233. Interest rates on these instruments ranged from 0.50% to 1.26% with no maturity being greater than 120 days. As of June 30, 2020, \$30,356 in obligations remained outstanding. A schedule of changes in the short-term obligations follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2020</b>
Notes payable.....	\$ 30,123	\$ 233	\$ —	\$ 30,356

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

The PHEAA has reported \$8,000 of auction rate security bonds payable, 49,710 of revenue bonds, \$3,235,625 of notes payable (consisting of student loan financings of \$84,112 and student loan floating rate notes of \$3,101,803), and \$8,463 of other obligations (consisting of capital acquisition refunding bonds of \$391 and term financings of \$6,280) at June 30, 2020 as follows:

	Balance			Balance		
	June 30, 2019	Additions	Reductions	June 30, 2020		
<b>Bonds payable:</b>						
Student loan auction rate security bonds, due 2042, at interest rates of 1.69 % as of June 30, 2020 and 3.34 % as of June 30, 2019.....	\$ 9,400	\$ —	\$ (1,400)	\$ 8,000		
Education loan revenue bonds, due 2025-2047 at fixed interest rates of 2.45%-5.00%.....	—	47,570	(200)	47,370		
Add: premium on education loan revenue bonds.....	—	2,426	(86)	2,340		
<b>Subtotal</b> .....	<b>—</b>	<b>49,996</b>	<b>(286)</b>	<b>49,710</b>		
<b>Total bonds payable</b> .....	<b>\$ 9,400</b>	<b>\$ 49,996</b>	<b>\$ (1,686)</b>	<b>\$ 57,710</b>		
<b>Notes payable:</b>						
Student loan floating rate notes, due 2028-2068 at weighted average rates of 1.03 % as of June 30, 2020 and 3.14 % as of June 30, 2019.....	\$ 3,644,971	\$ —	\$ (540,773)	\$ 3,104,198		
Less: discount on student loan floating rate notes.....	(4,271)	1,876	—	(2,395)		
<b>Subtotal</b> .....	<b>3,640,700</b>	<b>1,876</b>	<b>(540,773)</b>	<b>3,101,803</b>		
Student loan financings, due on demand, at an interest rate of 0.98 % as of June 30, 2020 and 3.24 % as of June 30, 2019. Unused portion was \$165,900 as of June 30, 2020.....	40,000	64,612	(20,500)	84,112		
<b>Total notes payable</b> .....	<b>\$ 3,680,700</b>	<b>\$ 116,484</b>	<b>\$ (561,559)</b>	<b>\$ 3,235,625</b>		
Financed Purchase Agreement, due 2023 at 0% interest as of June 30, 2020.....	\$ —	\$ 1,792	\$ —	\$ 1,792		
Term financings, due 2029, at 0% interest as of June 30, 2020 and 2019.....	6,280	—	—	6,280		
<b>Subtotal</b> .....	<b>6,280</b>	<b>1,792</b>	<b>—</b>	<b>8,072</b>		
<b>Plus: unamortized premium</b> .....	<b>685</b>	<b>—</b>	<b>(294)</b>	<b>391</b>		
<b>Total capital and other financing obligations</b> .....	<b>\$ 6,965</b>	<b>\$ 1,792</b>	<b>\$ (294)</b>	<b>\$ 8,463</b>		

The note and bond indentures, among other things, require the PHEAA to comply with various covenants. Student loans and investments collateralize all student loan financings. As of June 30, 2020, \$3,500,000 of student loan principal and related interest receivable and \$151,800 of cash equivalents collateralized the \$3,200,000 of student loan financings.

The student loan financings and other financings are non-recourse obligations to the PHEAA's unrestricted net position and to the Commonwealth, except for the \$84,112 of student loan financings, which are borrowings from the Commonwealth's Treasury Department.

PHEAA has two additional lines of credit that had zero balances at June 30, 2020. The total unused portions of these lines of credit at June 30, 2020 was \$360,000. On July 1, 2020, one line of credit was amended and the available balance was reduced by \$50,000, from \$150,000 to \$100,000.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

The PHEAA reported debt service requirements subsequent to June 30, 2020, based upon stated maturities for student loan bonds and estimated interest payments for variable-rate debt after considering terms renegotiated after June 30, 2020 are as follows:

Year of maturity	Student Loan Bonds and Notes		Other Financing Obligations	
	Principal	Interest	Principal	Interest
2021	\$ 84,112	\$ 34,108	\$ 448	\$ —
2022	—	33,501	448	—
2023	—	33,501	448	—
2024	—	33,501	448	—
2025	1,500	33,495	—	—
2026-30	118,988	164,294	6,280	—
2031-35	—	158,201	—	—
2036-40	888,597	128,701	—	—
2041-45	1,231,623	69,624	—	—
2046-50	20,550	48,757	—	—
2051-55	—	48,099	—	—
2056-60	100,968	45,799	—	—
2061-65	—	44,391	—	—
2066-70	797,342	11,408	—	—
<b>Total</b>	<b>\$ 3,243,680</b>	<b>\$ 887,380</b>	<b>\$ 8,072</b>	<b>\$ —</b>

**Reported as:**

Student loan auction rate security bonds payable	\$ 8,000	\$ —
Education loan revenue bonds payable	49,710	—
Premium on revenue bonds payable	(2,340)	—
Notes payable - current	84,112	—
Notes payable - noncurrent	3,101,803	—
Discount on student loan floating rate notes	2,395	—
Other financing obligations, current	—	448
Other financing obligations, noncurrent	—	8,015
Unamortized premium	—	(391)
<b>Total principal</b>	<b>\$ 3,243,680</b>	<b>\$ 8,072</b>

Other than the education loan revenue bonds, the student loan financings PHEAA reported are variable-rate debt, which have interest rates that reset on various dates. As of June 30, 2020, interest rates on \$8,000 reset based upon auctions every 28 days, \$3,200,000 was indexed to the one-month or three-month LIBOR (London interbank offered rate). PHEAA notes and bonds payable, as well as all other debt, are limited obligations of the PHEAA, payable only from related pledged assets.

The PHEAA reported current notes payable of \$84,112 at June 30, 2020. Also, the PHEAA reported noncurrent notes payable of \$3,101,803 at June 30, 2020.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Long-Term Obligations

Significant revenue bond obligations of the PTC (as of May 31, 2020) and the PHFA (as of June 30, 2020), changes during the fiscal year and annual principal and interest payments for long-term debt outstanding are as follows:

REVENUE BONDS PAYABLE & DIRECT PLACEMENTS AND BORROWINGS	Issue Dates	Interest Rates	Maturity Dates Through	Balance June 1, 2019	Additions	Reductions	Balance May 31, 2020
PTC.....	2005-20	various	2049	\$ 12,023,654	\$ 2,099,557	\$ 1,216,230	\$ 12,906,981
Less: unamortized bond discount.....				(355)	—	(20)	(335)
Add: unamortized bond premium.....				1,075,035	187,064	118,620	1,143,479
Add: direct placements and borrowings.....				818,275	88,500	—	906,775
<b>TOTAL.....</b>				<b>\$ 13,916,609</b>	<b>\$ 2,375,121</b>	<b>\$ 1,334,830</b>	<b>\$ 14,956,900</b>

Year of Maturity	Bonds			Direct Placements and Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021.....	\$ 373,880	\$ 581,013	\$ 954,893	\$ 200,000	\$ 13,455	\$ 213,455
2022.....	477,910	573,184	1,051,094	—	8,223	8,223
2023.....	253,065	567,110	820,175	50,000	8,445	58,445
2024.....	458,470	554,464	1,012,934	45,000	7,188	52,188
2025.....	286,666	544,491	831,157	88,500	6,348	94,848
2026-30.....	1,661,328	2,529,717	4,191,045	—	22,771	22,771
2031-35.....	2,392,080	2,063,350	4,455,430	71,650	21,083	92,733
2036-40.....	3,104,174	1,464,597	4,568,771	199,075	14,470	213,545
2041-45.....	2,638,963	764,042	3,403,005	252,550	1,583	254,133
2046-50.....	1,260,445	154,469	1,414,914	—	—	—
<b>Total.....</b>	<b>\$12,906,981</b>	<b>\$9,796,437</b>	<b>\$22,703,418</b>	<b>\$ 906,775</b>	<b>\$ 103,566</b>	<b>\$1,010,341</b>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

REVENUE BONDS & NOTES PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
PHFA.....	1999-2020	various	2051	\$ 2,927,743	\$ 585,830	\$ 477,718	\$ 3,035,855
Add: unamortized bond premium.....				28,336	5,708	4,460	29,584
<b>TOTAL.....</b>				<u>\$ 2,956,079</u>	<u>\$ 591,538</u>	<u>\$ 482,178</u>	<u>\$ 3,065,439</u>

Year of Maturity	Principal	Interest	Total
2021.....	\$ 90,418	\$ 88,191	\$ 178,609
2022.....	116,346	87,084	203,430
2023.....	120,998	84,634	205,632
2024.....	115,579	82,074	197,653
2025.....	107,823	79,679	187,502
2026-30.....	605,329	353,446	958,775
2031-35.....	697,159	256,449	953,608
2036-40.....	549,833	146,891	696,724
2041-45.....	388,850	71,786	460,636
2046-50.....	239,250	16,189	255,439
2051-55.....	4,270	77	4,347
<b>Total.....</b>	<u>\$ 3,035,855</u>	<u>\$ 1,266,500</u>	<u>\$ 4,302,355</u>

The table below presents significant bond obligations of SSHE at June 30, 2020 and changes during the fiscal year then ended, followed by principal and interest payments for long-term debt outstanding.

BONDS PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
SSHE.....	2008-19	various	2055	\$ 1,154,660	\$ 84,980	\$ 174,850	\$ 1,064,790

Year of Maturity	Principal	Interest	Total
2021.....	\$ 66,595	\$ 45,255	\$ 111,850
2022.....	71,395	42,228	113,623
2023.....	72,650	38,793	111,443
2024.....	78,445	35,277	113,722
2025.....	55,495	31,477	86,972
2026-30.....	254,330	120,920	375,250
2031-35.....	206,740	70,711	277,451
2036-40.....	166,910	34,471	201,381
2041-45.....	85,710	9,596	95,306
2046-50.....	3,025	1,342	4,367
2051-55.....	3,495	506	4,001
<b>Total.....</b>	<u>\$ 1,064,790</u>	<u>\$ 430,576</u>	<u>\$ 1,495,366</u>

Note: The total principal obligations outstanding do not include \$1,054,670 in bonds and notes payable reported by component units of the SSHE.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)****Conduit Debt**

The PHFA is financing a portion of housing projects through the issuance of special limited obligation bonds for the construction or preservation of affordable multifamily housing in the Commonwealth. The bonds are secured by the properties financed and are payable from income generated by the properties. At June 30, 2020, the PHFA had \$460,688 of such bonds outstanding. Neither the PHFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds payable are reported in the accompanying financial statements.

The State Public School Building Authority (SPSBA) finances construction and improvement projects for public schools through the issuance of tax-exempt instruments (bonds, notes or other obligations) for the purpose of making lower cost tax-exempt financing available to school districts and community colleges. The debt instruments issued by SPSBA represent limited obligations payable solely from lease/loan payments made by the borrowing institutions and related assets held by trustees. At June 30, 2020, the SPSBA had \$2,572,911 of debt outstanding. Neither the SPSBA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Higher Educational Facilities Authority (PHEFA) finances projects through the issuance of tax-exempt instruments (bonds, notes or other obligations) to provide a source of tax-exempt financing for colleges and universities. The debt instruments issued by the PHEFA represent limited obligations payable solely from payments made by the related borrowing institutions and related assets held by the trustees. At June 30, 2020, the PHEFA had \$5,830,723 of debt outstanding. Neither the PHEFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Economic Development Financing Authority (PEDFA) finances projects on behalf of local industrial and commercial development authorities to promote economic growth within the Commonwealth. Revenue bonds issued by the PEDFA represent limited obligations payable solely from PEDFA financed project revenues. At June 30, 2020, the PEDFA had \$5,380,576 of debt outstanding of which \$4,987,186 represented conduit debt. Neither the PEDFA nor the Commonwealth has any obligation for this conduit debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

**Refunded Debt****PTC**

In June 2019, the PTC issued \$139,815 of 2019 Second Series Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2038. The 2019 Second Series Senior Revenue Bonds were issued to refund a portion of the 2013 Series B Senior Revenue Bonds (\$100,000), 2014 Series B-1 Senior Revenue Bonds (\$39,150), and for paying the costs of issuing the 2019 Second Series Senior Revenue Bonds.

In September 2019, the PTC issued \$179,815 of the 2019 Forward Delivery Series Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2025. The 2019 Forward Delivery Series Senior Revenue Bonds were issued primarily for the current refunding of the 2009 Series B Senior Revenue Bonds (\$190,080) and for paying the costs of issuing the 2019 Forward Delivery Series Senior Revenue Bonds. The current refunding of 2009 Series B Senior Revenue Bonds allowed the PTC to reduce its debt service by approximately \$14.8 million. The transaction resulted in an economic gain of \$10.7 million.

In November 2019, the PTC issued \$86,730 of 2019 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2042. The 2019 First Series Subordinate Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series C-1 Subordinate Revenue Bonds (\$1,540), 2011 Series B Subordinate Revenue Bonds (\$40,130), 2012 Series A Subordinate Revenue Bonds (\$25,910), 2012 Series B Subordinate Revenue Bonds (\$12,685) and for paying the costs of issuing the 2019 First Series Subordinate Revenue Refunding Bonds. The advanced refunding of 2010 Series C-1 Subordinate Revenue Bonds, 2011 Series B Subordinate Revenue Bonds, 2012 Series A Subordinate Revenue Bonds, 2012 Series B Subordinate Revenue Bonds, and 2013 Series A Subordinate Revenue Bonds allowed the PTC to reduce its debt service by approximately \$12 million. The transaction resulted in an economic gain of \$8.4 million.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

In November 2019, the PTC issued \$151,130 of 2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2043. The 2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$13,780), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$23,340), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$28,610), 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$35,270), and 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$39,765) and for paying the costs of issuing the 2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds. The advanced refunding of 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, and 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds allowed the PTC to reduce its debt service by approximately \$28.1 million. The transaction resulted in an economic gain of \$16.7 million.

In January 2020, the PTC issued \$234,320 of 2020 First Series Senior Revenue Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2043. The 2020 First Series Senior Revenue Bonds were issued to refund a portion of the 2012 Series A Senior Revenue Bonds (\$99,380), 2013 Series C Senior Revenue Bonds (\$115,580), and for paying the costs of issuing the 2020 First Series Senior Revenue Bonds. The advanced refunding 2012 Series A Senior Revenue Bonds and 2013 Series C Senior Revenue Bonds allowed the PTC to reduce its debt service by approximately \$44.5 million. The transaction resulted in an economic gain of \$25.7 million.

In February 2020, the PTC issued \$134,310 of 2020 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2043. The 2020 First Series Subordinate Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series B-1 Subordinate Revenue Bonds (\$11,285), 2011 Series B Subordinate Revenue Bonds (\$3,820), 2012 Series A Subordinate Revenue Bonds (\$29,555), 2012 Series B Subordinate Revenue Bonds (\$29,240), 2013 Series A Subordinate Revenue Bonds (\$28,555), 2013 Series B-1 Subordinate Revenue Bonds (\$18,200), 2013 Series B-3 Subordinate Revenue Bonds (\$10,215) and for paying the costs of issuing the 2020 First Series Subordinate Revenue Refunding Bonds. The current refunding of 2010 Series B-1 Subordinate Revenue Bonds and the advanced refunding of 2011 Series B Subordinate Revenue Bonds, 2012 Series A Subordinate Revenue Bonds, 2012 Series B Subordinate Revenue Bonds, 2013 Series A Subordinate Revenue Bonds, 2013 Series B-1 Subordinate Revenue Bonds, and 2013 Series B-3 Subordinate Revenue Bonds allowed the PTC to reduce its debt service by approximately \$32.4 million. The transaction resulted in an economic gain of \$13.8 million.

In February of 2020, the PTC issued \$92,750 of 2020 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity of December 1, 2043. The 2020 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$8,790), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$25), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$1,805), 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$15,230), 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$20,330,000), 2013 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$38,080) and for paying the costs of issuing the 2020 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds. The advanced refunding of 2010 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds and 2013 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds allowed the PTC to reduce its debt service by approximately \$21.7 million. The transaction resulted in an economic gain of \$13.7 million.

**PHFA**

On September 26, 2019 the PHFA issued Series 2019-130 single family mortgage revenue bonds in the amount of \$174,925. A portion of the proceeds of this issuance and a PHFA contribution were used to refund \$20,530, of Series 2010-109 bonds, \$15,135 of Series 2010-110B bonds and \$16,340 of Series 2010-108B bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$1,352.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

On December 26, 2019 the PHFA issued Series 2019-131 single family mortgage revenue bonds in the amount of \$137,035. A portion of the proceeds of this issuance and a PHFA contribution were used to refund \$13,800 of Series 2006-94B bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$1,384 and a reduction of future debt service payments equal to \$1,818.

On June 2, 2020 the PHFA issued Series 2020-132 single family mortgage revenue bonds in the amount of \$248,870. A portion of the proceeds of this issuance and a PHFA contribution were used to refund \$9,060 of Series 1999-67B bonds, \$14,915 of Series 2000-69B bonds, \$9,560 of Series 2000-70B bonds, \$31,050 of Series 2001-72C bonds, \$14,695 of Series 2002-73C bonds and \$19,675 of Series 2003-78 bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$2,126 and a reduction of future debt service payments equal to \$2,575.

**SSHE**

In September 2019, 85,000 of the net proceeds from the Series AW tax-exempt revenue bonds were used to current refund portions of the Series AJ and Series AK bonds. The refunding resulted in an accounting gain of approximately \$1,500 and was performed to reduce the debt service by approximately \$14,000 and an economic gain (difference between the present values of the old and new debt service payments) of approximately \$13,700.

**Net Pension Liability and Pension Expense**

The PTC, PHEAA, PENNVEST and SSHE all have employees that are members of the Pennsylvania State Employees Retirement System (SERS). The SSHE is also a member of the Public School Employees Retirement System (PSERS). For the fiscal year ended June 30, 2020 (May 31, 2020 for the PTC), these entities reported a net pension liability, proportionate share percentage and pension expense as follows:

**SERS**

<u>Fiscal year ended June 30, 2020</u>	<u>PTC (May 31, 2020)</u>	<u>PHEAA</u>	<u>PENNVEST</u>	<u>SSHE</u>
Net pension liability .....	\$ 329,189	\$ 352,470	\$ 7,134	\$ 867,669
Proportionate share percentage .....	1.81 %	1.94 %	0.04 %	4.77 %
Pension (expense) income .....	\$ (40,998)	\$ (43,350)	\$ (1,193)	\$ (116,776)

**PSERS**

<u>Fiscal year ended June 30, 2020</u>	<u>SSHE</u>
Net pension liability .....	\$ 88,232
Proportionate share percentage .....	0.19 %
Pension expense .....	\$ 21,412

The PHFA’s full time employees participate in two defined benefit single employer plans. For the fiscal year ended June 30, 2020, the PHFA reported a net pension liability of \$22,670 and a pension expense of \$6,367.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Other Postemployment Benefits (OPEB)

Each DPCU with employees participates in the Commonwealth’s Retired Employees Health Program (REHP) except for the PTC and the PHFA, which have both established and sponsor their own, separate OPEB plans. The SSHE participates in the REHP, for certain employees, as well as its own, separate SSHE OPEB plan. All separate, non-REHP plans, have been established under pertinent statutory authority. All DPCUs implemented GASB 75, Accounting and Financial Reporting for Postemployment Retirement Benefits Other Than Pensions. The net OPEB liability is reported for the PTC (May 31, 2020), PHFA, PHEAA, PENNVEST and SSHE at June 30, 2020 as follows:

As of and for the fiscal year ended June 30, 2020	PTC (May 31, 2020)	PHFA	PHEAA	PENNVEST	SSHE
Net OPEB liability.....	\$ 1,845	\$ 95,358	\$ 218,891	\$ 3,846	\$ 1,738,341
OPEB expense.....	\$ 13,200	\$ 6,401	\$ (20,400)	\$ 1,778	\$ (47,522)

Commitments and Contingencies

PTC

The PTC Commitment to the PG: In July 2007, Act 44 was signed into law and, among other things, provides funding for roads, bridges and transit throughout the Commonwealth. Under Act 44, the PTC and the Pennsylvania Department of Transportation (PennDOT) established a 50-year Lease and Funding Agreement (Agreement). Act 44 and the Agreement require the PTC to make scheduled quarterly payments to the PennDOT. Subsequently, in April 2014, the PTC and PennDOT executed Amendment Number One to the aforementioned Lease and Funding Agreement in accordance with Act 89 of November 2013. In accordance with Act 89 and the Amended Funding Agreement, the PTC’s aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 remains at \$450,000 and at 2023 through the term of the Amended Funding Agreement, the PTC’s aggregate annual payment to PennDOT is \$50,000, which must be paid from current revenues. Through June 30, 2020 the PTC has paid PennDOT \$7,000,000; the **Motor License Fund** received \$2,250,000 and the Public Transportation Trust Fund received \$4,750,000.

Due to the significance of the quarterly payments under Act 44, the PTC currently does not have excess cash from operations to finance these required payments due to PennDOT. Therefore, the PTC plans to continue to increase toll rates annually and to issue debt for the foreseeable future to finance the majority of these payments. Act 44 authorizes the PTC to issue special revenue bonds up to an aggregate principal amount of \$5,000,000. No more than \$600,000 in aggregate principal amount of such special revenue bonds, exclusive of original issue discount, may be issued in any calendar year. No such bonds may be issued unless the amended funding agreement is in effect, and no such bonds may be outstanding beyond the stated term of the amended funding agreement at the time of issuance. Special revenue refunding bonds (as defined in § 9511.2 of Act 44) shall not be deemed to count against the total or annual maximum issuance volume under Act 44. Pursuant to Act 89, special revenue bonds may not be issued by the PTC to fund any portion of its annual payment obligation commencing July 1, 2014, as all of such annual payment obligation is to be deposited in the Public Transportation Trust Fund after such date, although special revenue refunding bonds could be issued. The outstanding principal related to these special revenue bonds was \$1,006,173 at May 31, 2020.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Deferred Outflows and Inflows of Resources

The following table discloses the deferred outflows of resources and deferred inflows of resources at June 30, 2020 (May 31, 2020 for the PTC):

Deferred Outflows of Resources	PTC	PHFA	PHEAA	PENNVEST	SSHE
Hedge derivatives.....	\$ 217,154	\$ 6,617	\$ —	\$ —	\$ —
Pensions					
Difference between expected and actual experience.....	4,105	6,045	4,395	89	11,305
Changes in proportions.....	2,160	—	2,819	544	11,337
Changes in assumptions.....	12,685	3,132	13,582	275	34,278
Difference between employer contributions and proportionate share of total contributions.....	635	—	2,361	10	256
Contributions after the measurement date.....	18,252	2,050	22,426	448	62,844
OPEB					
Difference between expected and actual experience.....	7,072	4,125	—	—	23
Net difference between projected and actual investment earnings.....	15,644	—	—	—	7
Changes in proportions.....	—	—	34,682	—	27,879
Changes in assumptions.....	—	11,030	7,002	123	14,692
Contributions after the measurement date.....	11,730	1,570	3,430	189	56,037
Deferred loss on bond refundings.....	343,723	5,492	1,282	—	5,979
<b>Total.....</b>	<b>\$ 633,160</b>	<b>\$ 40,061</b>	<b>\$ 91,979</b>	<b>\$ 1,678</b>	<b>\$ 224,637</b>

Deferred Inflows of Resources

Deferred gain on bond refundings.....	\$ 11,634	\$ —	\$ 869	\$ —	\$ 1,839
Split-interest agreements.....	—	—	—	—	9
Pensions					
Difference between expected and actual experience.....	2,230	290	2,387	48	8,801
Net difference between projected and actual investment earnings.....	23,477	3,551	25,138	509	62,135
Changes in proportions.....	16,608	—	60,335	36	20,758
Changes in assumptions.....	—	1,922	—	—	—
Difference between employer contributions and proportionate share of total contributions.....	177	—	101	20	4,537
OPEB					
Difference between expected and actual experience.....	1,809	17,320	162,798	2,860	455,683
Net difference between projected and actual investment earnings.....	6,731	—	388	7	806
Changes in proportions.....	—	—	334	391	19,470
Changes in assumptions.....	3,632	8,118	30,318	533	199,679
Difference between employer contributions and proportionate share of total contributions.....	—	—	—	—	—
Service concession arrangements.....	106,450	—	—	—	—
<b>Total.....</b>	<b>\$ 172,748</b>	<b>\$ 31,201</b>	<b>\$ 282,668</b>	<b>\$ 4,404</b>	<b>\$ 773,717</b>

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)****Subsequent Events****PTC**

On June 2, 2020, the PTC approved the layoff of Fare Collection Department employees and Ticket Systems Audit Department employees due to the implementation of All Electronic Tolling (AET). On this same date, the PTC so informed representatives of Teamsters Local Union Nos. 77 and 250 (collectively the Union). The resulting layoff of approximately 492 bargaining unit employees was implemented effective as of June 18, 2020. In accordance with terms negotiated with the Union, the laid off employees may receive severance based on their years of seniority upon execution of a release of claims. On or about June 25, 2020, the Union submitted three grievances challenging the layoff of the bargaining unit employees due to the implementation of AET. In the grievances, the Union contends that the above referenced layoff violated provisions of the applicable collective bargaining agreements and terms of the Memoranda of Understanding and/or purported oral promises relating to the layoff of employees. In particular, the Union contends that the PTC was not permitted to lay off employees due to the implementation of AET until January 2022. The Union is requesting that the laid off employees be reinstated to their former positions and be made whole (including back pay). The PTC contends that it has: (a) not violated any provisions of the applicable collective bargaining agreements, (b) not violated any provisions of the Memoranda of Understanding relating to the layoff of employees, and (c) acted consistently with the applicable provisions of the collective bargaining agreements and Memoranda of Understanding relating to the layoffs resulting from the implementation of AET. Accordingly, the PTC intends to vigorously defend its legal and contractual rights to implement AET and to lay off employees due to such implementation. An arbitration was held on November 11, 2020 and briefs are due by December 4, 2020. There is no way to determine how long it will take the arbitrator to issue her opinion.

Due to the COVID-19 pandemic, in a letter dated June 2, 2020, the PTC and HMSHost agreed to defer HMSHost's service plaza payments of calendar year 2020 Percentage Rent for the remaining accounting cycles of 2020. These deferred payments will be paid in twelve equal, monthly installments in 2021 beginning on January 20, 2021.

On June 3, 2020, in order to assure liquidity throughout the COVID-19 pandemic mitigation efforts, the PTC obtained a one-year, \$200.0 million line of credit for operating expenses from PNC Bank, N.A.

In response to the impacts of the COVID-19 pandemic, in particular, declines in the PTC traffic and revenue and disruptions in the capital markets, PennDOT and the PTC negotiated an Amendment Number Three to the Lease and Funding Agreement, which was executed by all parties on June 11, 2020 (the Amendment Three, and together with the Original Amended Funding Agreement and the Amendment, the Amended Funding Agreement). Pursuant to the terms of the Amendment Three, the PTC and PennDOT agreed to extend the due date for the PTC's July 31, 2020 Annual Base Payment of \$50.0 million and Annual Additional Payment of \$62.5 million to October 31, 2020 or such later date in the fiscal year ending June 30, 2021 as may be agreed to by the PTC and PennDOT. Subsequently, the PTC and PennDOT agreed, pursuant to the terms of Amendment Three, to extend the due date for the PTC's July 31, 2020 and October 31, 2020 scheduled payments of \$112,500 to January 29, 2021.

On June 23, 2020, the PTC issued \$225,820 of 2020 Second Series Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2039. The 2020 Second Series Senior Revenue Bonds were issued to refund a portion of the 2013 Series B Senior Revenue Bonds (\$100,000), 2014 Series B-1 Senior Revenue Bonds (\$100,000), 2018 Series A-1 (\$25,000), and for paying the costs of issuing the 2020 Second Series Senior Revenue Bonds.

On August 20, 2020, the PTC issued \$100,500 of 2020 Series A Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2050. The 2020 Series A Senior Revenue Bonds were issued to finance the cost of various capital expenditures set forth in the PTC's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges, and for paying the costs of issuing the 2020 Series A Senior Revenue Bonds.

On September 15, 2020, the PTC approved amending the Resolution of the Pennsylvania Turnpike Commission adopted October 7, 2019, which authorized the issuance from time to time of Senior Indenture Turnpike Revenue Bonds in an aggregate principal amount not to exceed \$500,000 (based on par amount) (the "Bonds"), to clarify and expand the scope of the project which may be funded from the proceeds of the Bonds and proving for certain related matters.

On October 7, 2020, the PTC issued \$241,625 of 2020 Series B Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2050. The 2020 Series B Senior Revenue Bonds were issued to finance the cost of various capital expenditures set forth in the PTC's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges, a required deposit to the debt service reserve fund, a portion of the interest on the 2020 Series B Senior Revenue Bonds and the 2019 Series A Senior Revenue Bonds, and paying the costs of issuing the 2020 Series B Senior Revenue Bonds.

On November 2, 2020 the PTC approved of the issuance of the Pennsylvania Turnpike Commission's subordinate revenue bonds or notes, including bond anticipation notes, in one or more series or sub-series, fixed rate or variable rate, taxable or tax-exempt, in an aggregate initial principal amount not to exceed \$550,000, to finance or refinance the costs of making lease, grant or other payments to the Pennsylvania Department of Transportation in accordance with Act 44 and Act 89. The PTC expects to issue and close on the subordinate bonds on or about January 27, 2020.

On November 13, 2020, the PTC cash defeased the December 1, 2020 maturity of the Commission's 2011 A Senior Revenue Bonds (\$15,925), 2012 A Senior Revenue Bonds (\$4,310), 2013 C Senior Revenue Bonds (\$1,500), 2014 A Senior Revenue Bonds (\$455), 2014 C Senior Revenue Bonds (\$2,275), 2015 A-1 Senior Revenue Bonds (\$490), 2015 B Senior Revenue Bonds (\$1,295), 2016 A-1 Senior Revenue Bonds (\$520), 2017 A Senior Revenue Bonds (6,210), 2019 A Senior Revenue Bonds (\$5,405) and 2019 Forward Delivery Senior Revenue Bonds (\$26,230).

On November 13, 2020, the PTC cash defeased the December 1, 2020 maturity of the PTC's 2010 Series C Subordinate Revenue Bonds (\$4,655), 2011 Series B Subordinate Revenue Bonds (\$3,735), 2012 Series A Subordinate Revenue Bonds (\$3,550), 2012 Series B Subordinate Revenue Bonds (\$3,675), 2013 Series A-1 Subordinate Revenue Bonds (\$1,445), 2013 Series B-1 Subordinate Revenue Bonds (\$1,805), 2014 Series A-1 Subordinate Revenue Bonds (\$2,680), 2015 Series B Subordinate Revenue Bonds (\$405), 2016 Series A-1 Subordinate Revenue Bonds (\$380), 2016 Third Series B Subordinate Revenue Bonds (\$8,110), 2019 First Series Subordinate Revenue Bonds (\$205) and 2020 First Series Subordinate Revenue Bonds (\$11,845).

**PHFA**

On May 28, 2020, the Pennsylvania General Assembly enacted an amendment to house bill number 2510 which directed \$175,000 to the PHFA to administer mortgage and rental assistance programs. The funds provided to the Agency are a portion of the funds that the Commonwealth of Pennsylvania received through The Federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The funds are to be expended prior to November 30, 2020.

On September 10, 2020, the PHFA Board authorized the issuance of Single Family Mortgage Revenue bonds Series 135 and 136 in an amount not to exceed \$350,000 for each series. Proceeds are expected to include a portion for refunding certain Single Family Mortgage Revenue Bonds of the PHFA issued previously and a portion for purchasing new single family mortgage loans.

On September 29, 2020, the PHFA sold single family mortgage revenue bonds Series 2020-133 totaling \$212,140. Proceeds were used to purchase new single family mortgage loans.

**PHEAA**

An outbreak of a new coronavirus, detected in China in December 2019, spread internationally in the first quarter of calendar year 2020 causing widespread disruption of the global economy and a rise in market volatility. Health officials have declared this to be a pandemic. The course of the pandemic and its ultimate effect on the United States, the global economy and markets are not fully known at this time. PHEAA's evaluation is ongoing and it is not possible to predict the extent of the effect that the pandemic may have on PHEAA's financial position as the financial environment continues to change

**SSHE**

In July 2020, PHEFA issued Series AX tax-exempt revenue bonds in the amount of \$94,985. The net proceeds from the Series AX revenue bonds were used to acquire certain student housing facilities at East Stroudsburg University, as well as to current refund Series AH, Series AJ and Series AL revenue bonds. The refunding was performed to reduce debt service by approximately \$10,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$9,000. In connection with the bond issuance, the SSHE entered into a loan agreement with PHEFA under which the SSHE pledged its full faith and credit for repayment of the bonds.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

In September 2020, PHEFA accepted bids for Series AY taxable revenue bonds, in the amount of \$78,925, which will close on October 1, 2020. The purpose of this issue is to advance refund a portion of Series AM revenue bonds and will result in a reduction of debt service of approximately \$11,200 and an economic gain of \$10,200. The SSHE will enter into a loan agreement with PHEFA under which the SSHE will pledge its full faith and credit for repayment of the bonds.

On July 1, 2020 the SSHE, on behalf of Indiana University, entered into master lease agreements with Residential Revival Indiana (RRI), a component unit of Indiana. Under the terms of the agreements, the SSHE agreed to make monthly rent payments to RRI and pay operating expenses and insurance as defined in RRI's previously executed loan agreements, in exchange for the right to use, operate and collect all payments from RRI's Phase I and Phase IV housing facilities. The master leases expire concurrently with RRI's ground leases with the SSHE.

**NOTE 17 - SUBSEQUENT EVENTS****General Obligation Bonds**

On September 24, 2020, the Commonwealth issued General Obligation Bonds, First New Money of 2020 in the amount of \$469,600. The proceeds of the issuance will be used for: the construction, acquisition and major rehabilitation of capital facilities projects, and PENNVEST projects.

**Unemployment Federal Loan**

In September, October, and November 2020 advances were made to the Commonwealth's **Unemployment Compensation Fund** from the Federal Unemployment Account (FUA) in the amount of \$299,742, \$266,612, and \$77,341, respectively. Additional advances totaling \$1,400,000 have been approved to be drawn from the FUA through January 2021. The FUA provides for a loan fund for state unemployment programs to ensure continued flow of unemployment compensation payments to claimants. In accordance with Federal law, any outstanding loan balance as of January 2022 must be repaid by November 10, 2022, or the Federal unemployment compensation tax on employers will be increased each year that the loan is not repaid.

**Short-Term Debt**

In October 2020, the Commonwealth entered into a line of credit agreement with a financial institution, with a maximum principal amount of \$2,500,000, in order to provide funding for the general purposes of the Commonwealth and such other expenses payable from the **General Fund**. An advance of \$800,000 was made to the **General Fund** in October 2020. Advances are available to be made under the line of credit until March 31, 2021, and repayment of those advances is due and payable not later than June 30, 2021. Advances made under the line of credit are secured by Tax Anticipation Notes, Series 2020-2021, issued in October 2020, with an aggregate principal amount of \$2,500,000. The notes are payable from and secured by the pledge of revenues to be received in the **General Fund** during the fiscal year ended June 30, 2021. This obligation is due and payable not later than June 30, 2021.

**NOTE 18 - RESTATEMENTS**

Effective July 1, 2019, the Commonwealth implemented GASB Statement No. 84, Fiduciary Activities (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities and limits the reporting of fiduciary activities to four specific fund classifications: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The standard specifically excludes from the definition of a fiduciary activity any own-source revenues that are generated by the government itself.

The implementation of GASB 84 resulted in former agency funds being reclassified to eleven governmental funds and six custodial funds. Additionally, two former private-purpose trust funds and one investment trust fund were reclassified as custodial and custodial external investment pools, respectively, due to assets not being held in qualifying trusts. The below charts display the changes to the Commonwealth’s beginning net position, governmental fund balances, and fiduciary net position as of July 1, 2019.

**Government-Wide Statement of Net Position**

	<u>Governmental Activities</u>
Net position, as previously reported at June 30, 2019 .....	\$ (6,001,223)
Implementation of GASB 84	
<b>General Fund</b>	
Neighborhood Improvement Zone .....	22
City Revitalization and Improvement Zone .....	2
Other non-major governmental activities <sup>(1)</sup>	
Liquid Fuels Tax .....	5,189
Fire Insurance Tax .....	74,516
Municipal Pension Aid .....	324,513
Underground Storage Tank Indemnification (USTIF) <sup>(2)</sup> .....	32,836
Remining Financial Assurance .....	4,465
Medical Care Availability and Reduction of Error (Mcare) <sup>(2)</sup> .....	(897,803)
Philadelphia Taxicab and Limousine Regulatory .....	(169)
Philadelphia Taxicab Medallion .....	7
Total net position, as restated, at July 1, 2019 .....	<u>\$ (6,457,645)</u>

(1) The Liquor License Fund was also reclassified to a special revenue fund, but no restatement was required as all assets held were payable at July 1, 2019.  
 (2) Restated balances related to Mcare and USTIF include long-term actuarial liabilities not previously reported as part of the agency funds.

NOTE 18 - RESTATEMENTS (continued)

Governmental Funds Balance Sheet

	General Fund	Motor License Fund	Nonmajor Funds	Total
Fund balance, as previously reported at June 30, 2019.....	\$ 835,390	\$ 872,037	\$ 4,890,108	\$ 6,597,535
Implementation of GASB 84				
<b>General Fund</b>				
Neighborhood Improvement Zone.....	22	—	—	22
City Revitalization and Improvement Zone.....	2	—	—	2
Other non-major governmental activities <sup>(1)</sup>				
Liquid Fuels Tax.....	—	—	5,189	5,189
Fire Insurance Tax.....	—	—	74,516	74,516
Municipal Pension Aid.....	—	—	324,513	324,513
Underground Storage Tank Indemnification.....	—	—	378,263	378,263
Remining Financial Assurance.....	—	—	4,465	4,465
Medical Care Availability and Reduction of Error.....	—	—	93,874	93,874
Philadelphia Taxicab and Limousine Regulatory.....	—	—	(169)	(169)
Philadelphia Taxicab Medallion.....	—	—	7	7
Total fund balance, as restated, at July 1, 2019.....	<u>\$ 835,414</u>	<u>\$ 872,037</u>	<u>\$ 5,770,766</u>	<u>\$ 7,478,217</u>

(1) The Liquor License Fund was also reclassified to a special revenue fund, but no restatement was required as all assets held were payable at July 1, 2019.

Statement of Fiduciary Net Position

	Investment Trust	Private-Purpose Trust Funds	Custodial Funds	
			Custodial Funds	External Investment
Fiduciary net position, as previously reported, at June 30, 2019.....	\$ 762,179	\$ 3,120,375	\$ —	\$ —
Implementation of GASB 84 <sup>(1)</sup>				
Insurance Liquidation.....	—	—	1,452,245	—
Tuition Account Investment Program.....	—	(3,069,918)	3,069,918	—
Monetary Penalty Endowments Trust.....	—	(50,457)	50,457	—
Custodial Accounts.....	—	—	28,751	—
INVEST Program for Local Governments.....	(762,179)	—	—	762,179
Total fiduciary net position, as restated, at July 1, 2019.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,601,371</u>	<u>\$ 762,179</u>

(1) The following funds were also classified as custodial funds, but no restatement was required as all assets held were payable at July 1, 2019: Local Sales and Use Tax, PA Intergovernmental Cooperation Authority Tax, Allegheny Regional Asset District Sales and Use Tax, and Local Cigarette Tax funds.



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Required Supplementary Information

**Commonwealth of Pennsylvania**

**Schedule of Pension Amounts**

Commonwealth's Proportionate Share of the Net Pension Liability  
for the Last Ten Fiscal Years Ended June 30 <sup>(1)</sup>

(Amounts in thousands)	2020	2019	2018	2017	2016 (2)	2015
<b>SERS as of 12/31</b>						
Commonwealth's portion of the net pension liability.....	82.82 %	82.57 %	82.48 %	82.44 %	83.05 %	82.94 %
Commonwealth's proportionate share of the net pension liability .....	\$15,054,957	\$17,199,452	\$14,261,464	\$15,879,154	\$15,097,007	\$12,318,240
Commonwealth's covered payroll.....	\$ 5,160,460	\$ 5,021,603	\$ 4,859,626	\$ 4,801,482	\$ 4,883,069	\$ 4,668,334
Commonwealth's proportionate share of the net pension liability as a percentage of its covered payroll.....	291.74 %	342.51 %	293.47 %	330.71 %	309.17 %	263.87 %
Plan fiduciary net position as a percentage of the total pension liability.	63.10 %	56.40 %	63.00 %	57.80 %	58.90 %	64.80 %
<b>PSERS as of 6/30</b>						
<b>Non-employer contributing entity</b>						
Commonwealth's proportionate share of the net pension liability .....	\$ 287,853	\$ 290,094	\$ 290,651	\$ 291,791	\$ 251,536	\$ 223,083

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only six years are presented in the above schedule.

(2) Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 18th Investigation of Actuarial Experience study for the period 2011 – 2015 was released in March 2016 and can be viewed at [www.sers.pa.gov](http://www.sers.pa.gov). The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased projected cost, but the overall result was an increase to the net pension liability.

**Commonwealth of Pennsylvania**  
**Schedule of Pension Amounts**  
Commonwealth's Schedule of Contributions  
for the Last Ten Fiscal Years Ended June 30 <sup>(1)</sup>

(Amounts in thousands)	2020 (2)	2019	2018	2017	2016	2015
<b>SERS as of 6/30</b>						
Contractually required contribution.....	\$ 1,771,080	\$ 1,700,900	\$ 1,669,819	\$ 1,473,131	\$ 1,222,732	\$ 1,005,654
Contributions in relation to the contractually required contribution.....	(1,771,080)	(1,706,169)	(1,664,550)	(1,473,131)	(1,222,732)	(1,005,654)
Contribution deficiency (excess).....	—	(5,269)	5,269	—	—	—
Commonwealth's covered payroll.....	\$ 5,206,011	\$ 5,096,774	\$ 4,922,164	\$ 4,831,379	\$ 4,682,957	\$ 4,678,587
Contributions as a percentage of its covered payroll.....	34.02 %	33.48 %	33.82 %	30.49 %	26.11 %	21.49 %
<b>PSERS as of 6/30</b>						
<b>Non-employer</b>						
Contributions to the plan.....	\$ 28,796	\$ 27,813	\$ 25,763	\$ 22,510	\$ 18,732	\$ 14,994

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only six years are presented in the above schedule.

(2) Contributions to the PSERS plan as of June 30, 2020 are based on an accrued estimate, and are revised annually to the Commonwealth's proportionate share of contributions reported by the PSERS.

**Commonwealth of Pennsylvania**  
**Schedule of OPEB Amounts**  
**Changes in the Net OPEB Liability and Related Ratios**  
Retired Employees Health Program (REHP)  
Retired Pennsylvania State Police Program (RPSPP)  
For the Last Ten Fiscal Years Ended June 30, <sup>(1)</sup>

(Amounts in thousands)

REHP				
As of and for the fiscal year ended June 30	2020 (2)	2019	2018	2017
<b>Total OPEB liability</b>				
Service cost .....	\$ 353,220	\$ 398,501	\$ 527,110	\$ 617,953
Interest .....	384,165	586,939	736,947	633,617
Differences between expected and actual experience .....	12,936	(5,082,545)	(5,445,495)	—
Changes of assumptions .....	1,617,170	403,428	(576,855)	(2,228,187)
Benefit payments .....	(448,809)	(550,144)	(611,081)	(649,705)
Contributions - retiree .....	48,531	49,179	48,585	52,198
<b>Net change in total OPEB liability .....</b>	<b>1,967,213</b>	<b>(4,194,642)</b>	<b>(5,320,789)</b>	<b>(1,574,124)</b>
<b>Total OPEB liability - beginning .....</b>	<b>10,821,333</b>	<b>15,015,975</b>	<b>20,336,764</b>	<b>21,910,888</b>
<b>Total OPEB liability - ending (a) .....</b>	<b>\$ 12,788,546</b>	<b>\$ 10,821,333</b>	<b>\$ 15,015,975</b>	<b>\$ 20,336,764</b>
<b>Plan fiduciary net position</b>				
Contributions - employer .....	\$ 465,137	\$ 558,876	\$ 591,796	\$ 653,720
Contributions - retiree .....	48,531	49,179	48,585	52,198
Net investment income .....	2,421	21,283	27,351	31,833
Benefit payments .....	(448,809)	(550,144)	(611,081)	(649,705)
Administrative expense .....	(5,707)	(5,562)	(5,232)	(6,213)
<b>Net change in plan fiduciary net position .....</b>	<b>61,573</b>	<b>73,632</b>	<b>51,419</b>	<b>81,833</b>
<b>Plan fiduciary net position - beginning .....</b>	<b>407,480</b>	<b>333,848</b>	<b>282,429</b>	<b>200,596</b>
<b>Plan fiduciary net position - ending (b) .....</b>	<b>\$ 469,053</b>	<b>\$ 407,480</b>	<b>\$ 333,848</b>	<b>\$ 282,429</b>
<b>Net OPEB liability (a) - (b) .....</b>	<b>\$ 12,319,493</b>	<b>\$ 10,413,853</b>	<b>\$ 14,682,127</b>	<b>\$ 20,054,335</b>
<b>Plan fiduciary net position as a % of total OPEB liability .....</b>	<b>3.67 %</b>	<b>3.77 %</b>	<b>2.22 %</b>	<b>1.39 %</b>
<b>Covered-employee payroll .....</b>	<b>\$ 4,083,699</b>	<b>\$ 3,992,729</b>	<b>\$ 3,911,464</b>	<b>\$ 3,902,336</b>
<b>Total/Net OPEB liability as a % of covered-employee payroll .....</b>	<b>301.67 %</b>	<b>260.82 %</b>	<b>375.36 %</b>	<b>513.91 %</b>
RPSPP				
As of and for the fiscal year ended June 30	2020 (2)	2019	2018	2017
<b>Total OPEB liability</b>				
Service cost .....	\$ 150,941	\$ 145,817	\$ 161,103	\$ 193,336
Interest .....	205,461	234,405	225,601	196,049
Differences between expected and actual experience .....	(216,290)	(728,659)	(202,655)	—
Changes of assumptions .....	1,018,439	296,435	(272,746)	(803,662)
Benefit payments .....	(138,281)	(143,323)	(140,440)	(123,595)
Contributions - retiree .....	1,137	1,072	1,077	1,143
<b>Net change in total OPEB liability .....</b>	<b>1,021,407</b>	<b>(194,253)</b>	<b>(228,060)</b>	<b>(536,729)</b>
<b>Total OPEB liability - beginning .....</b>	<b>5,787,345</b>	<b>5,981,598</b>	<b>6,209,658</b>	<b>6,746,387</b>
<b>Total OPEB liability - ending (a) .....</b>	<b>\$ 6,808,752</b>	<b>\$ 5,787,345</b>	<b>\$ 5,981,598</b>	<b>\$ 6,209,658</b>
<b>Plan fiduciary net position</b>				
Contributions - employer .....	\$ 142,448	\$ 142,292	\$ 133,813	\$ 122,870
Contributions - retiree .....	1,137	1,072	1,077	1,143
Net investment income .....	1,058	4,854	8,714	11,133
Benefit payments .....	(138,281)	(143,323)	(140,440)	(123,595)
Administrative expense .....	(559)	(510)	(473)	(417)
<b>Net change in plan fiduciary net position .....</b>	<b>5,803</b>	<b>4,385</b>	<b>2,691</b>	<b>11,134</b>
<b>Plan fiduciary net position - beginning .....</b>	<b>100,742</b>	<b>96,357</b>	<b>93,666</b>	<b>82,532</b>
<b>Plan fiduciary net position - ending (b) .....</b>	<b>\$ 106,545</b>	<b>\$ 100,742</b>	<b>\$ 96,357</b>	<b>\$ 93,666</b>
<b>Net OPEB liability (a) - (b) .....</b>	<b>\$ 6,702,207</b>	<b>\$ 5,686,603</b>	<b>\$ 5,885,241</b>	<b>\$ 6,115,992</b>
<b>Plan fiduciary net position as a % of total OPEB liability .....</b>	<b>1.56 %</b>	<b>1.74 %</b>	<b>1.61 %</b>	<b>1.51 %</b>
<b>Covered-employee payroll .....</b>	<b>\$ 426,728</b>	<b>\$ 408,648</b>	<b>\$ 387,245</b>	<b>\$ 386,602</b>
<b>Total/Net OPEB liability as a % of covered-employee payroll .....</b>	<b>1,570.60 %</b>	<b>1,391.57 %</b>	<b>1,519.77 %</b>	<b>1,581.99 %</b>

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore only four years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2020, the discount rate applied for the development of the net OPEB liability was 2.21%. The discount rate is based on the 20-year Bond Buyer GO Index. The investment rate of return used was 5.0% and the inflation rate was 2.6%.

**Commonwealth of Pennsylvania**  
**Schedule of OPEB Amounts**  
**Contributions and Investment Returns**  
Retired Employees Health Program (REHP)  
Retired Pennsylvania State Police Program (RPSPP)  
For the Last Ten Fiscal Years Ended June 30, <sup>(1)</sup>

(Amounts in thousands)

**Schedule of Contributions**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>REHP</b>				
Contractually required contribution <sup>(2)</sup> .....	\$ 459,372	\$ 588,273	\$ 493,288	\$ 734,378
Contributions in relation to the contractually required contribution .....	(465,137)	(558,876)	(591,796)	(653,720)
Contribution deficiency (excess) .....	\$ (5,765)	\$ 29,397	\$ (98,508)	\$ 80,658
Covered-employee payroll .....	\$ 4,083,699	\$ 3,992,729	\$ 3,911,464	\$ 3,902,336
Contributions as a % of covered-employee payroll .....	11.39 %	14.00 %	15.13 %	16.75 %
<b>RPSPP</b>				
Contractually required contribution <sup>(2)</sup> .....	\$ 149,434	\$ 144,786	\$ 131,499	\$ 132,201
Contributions in relation to the contractually required contribution .....	(142,448)	(142,292)	(133,813)	(122,870)
Contribution deficiency (excess) .....	\$ 6,986	\$ 2,494	\$ (2,314)	\$ 9,331
Covered-employee payroll .....	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Contributions as a % of covered-employee payroll .....	33.38 %	34.82 %	34.56 %	31.78 %
<b>Premium Assistance Plan</b>				
<b>Non-employer contributing entity</b>				
Contributions to the plan .....	\$ 705	\$ 701	\$ 677	
Commonwealth's proportionate share of the net OPEB liability .....	\$ 13,806	\$ 12,599	\$ 11,990	

**Investment Returns**

<b>Annual weighted rate of return, net of investment expense <sup>(3)</sup></b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>REHP</b> .....	1.26 %	4.69 %	13.27 %	13.27 %
<b>RPSPP</b> .....	1.26 %	4.69 %	13.27 %	13.27 %

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore, only four years are presented in the above schedule for REHP and RPSPP. The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only three years are presented in the above schedule for the Premium Assistance Plan.

(2) Contribution requirements for the REHP and RPSPP are determined annually by the Commonwealth based on projected cash flow requirements and a projected contribution toward pre-funding future cash outlays.

(3) The weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

**Commonwealth of Pennsylvania**  
**Schedule of OPEB Amounts**  
**Changes in the Total OPEB Liability and Related Ratios**  
For the Last Ten Fiscal Years Ended June 30, <sup>(1)</sup>

(Amounts in thousands)

	2020		
	Judiciary	House	Senate
<b>Total OPEB liability</b>			
Service cost.....	\$ 23,829	\$ 28,429	\$ 5,389
Interest.....	26,715	17,974	9,670
Differences between expected and actual experience.....	(63,125)	—	—
Changes of assumptions.....	45,949	(10,332)	(51,867)
Benefit payments.....	(22,573)	(19,340)	(9,845)
<b>Net changes in total OPEB liability.....</b>	<b>\$ 10,795</b>	<b>\$ 16,731</b>	<b>\$ (46,653)</b>
<b>Total OPEB liability - beginning.....</b>	<b>749,514</b>	<b>585,192</b>	<b>401,234</b>
<b>Total OPEB liability - ending.....</b>	<b>\$ 760,309</b>	<b>\$ 601,923</b>	<b>\$ 354,581</b>
<b>Covered-employee payroll.....</b>	<b>\$ 213,663</b>	<b>\$ 92,188</b>	<b>\$ 52,262</b>
<b>Total/Net OPEB liability as a % of covered-employee payroll....</b>	<b>355.84 %</b>	<b>652.93 %</b>	<b>678.47 %</b>
	2019		
	Judiciary	House	Senate
<b>Total OPEB liability</b>			
Service cost.....	\$ 23,134	\$ 30,547	\$ 4,260
Interest.....	27,007	20,434	13,576
Differences between expected and actual experience.....	—	(84,654)	—
Changes of assumptions.....	36,007	5,688	—
Benefit payments.....	(22,491)	(19,880)	(8,967)
<b>Net changes in total OPEB liability.....</b>	<b>\$ 63,657</b>	<b>\$ (47,865)</b>	<b>\$ 8,869</b>
<b>Total OPEB liability - beginning.....</b>	<b>685,857</b>	<b>633,057</b>	<b>392,365</b>
<b>Total OPEB liability - ending.....</b>	<b>\$ 749,514</b>	<b>\$ 585,192</b>	<b>\$ 401,234</b>
<b>Covered-employee payroll.....</b>	<b>\$ 207,871</b>	<b>\$ 92,188</b>	<b>\$ 48,530</b>
<b>Total/Net OPEB liability as a % of covered-employee payroll....</b>	<b>360.57 %</b>	<b>634.78 %</b>	<b>826.78 %</b>
	2018		
	Judiciary	House	Senate
<b>Total OPEB liability</b>			
Service cost.....	\$ 22,279	\$ 32,884	\$ 4,116
Interest.....	25,155	16,804	13,284
Changes of assumptions.....	—	(50,056)	—
Benefit payments.....	(23,152)	(18,692)	(9,142)
<b>Net changes in total OPEB liability.....</b>	<b>\$ 24,282</b>	<b>\$ (19,060)</b>	<b>\$ 8,258</b>
<b>Total OPEB liability - beginning.....</b>	<b>661,575</b>	<b>652,117</b>	<b>384,107</b>
<b>Total OPEB liability - ending.....</b>	<b>\$ 685,857</b>	<b>\$ 633,057</b>	<b>\$ 392,365</b>
<b>Covered-employee payroll.....</b>	<b>\$ 205,458</b>	<b>\$ 92,898</b>	<b>\$ 48,530</b>
<b>Total/Net OPEB liability as a % of covered-employee payroll....</b>	<b>333.82 %</b>	<b>681.45 %</b>	<b>808.50 %</b>

-The notes to required supplementary information are an integral part of this schedule-

(1) The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only three years are presented in the above schedule for Judiciary, House, and Senate. A trust or equivalent arrangement meeting the requirements of GASB 75 has not been established for the Judiciary, House, or Senate OPEB plans and assets have not been accumulated to fund OPEB.

**Commonwealth of Pennsylvania**  
**Budgetary Comparison Schedule**  
 Budgeted Major Funds  
 General Fund  
 For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) <sup>(2)</sup>
<b>REVENUES:</b>					
State Programs:					
Corporation taxes .....	\$ 5,608,400	\$ (188,000)	\$ 5,420,400	\$ (581,392)	\$ 4,839,008
Consumption taxes .....	12,956,000	104,000	13,060,000	(801,702)	12,258,298
Other taxes .....	16,360,200	178,500	16,538,700	(2,025,152)	14,513,548
<b>TOTAL TAX REVENUE</b> .....	<b>34,924,600</b>	<b>94,500</b>	<b>35,019,100</b>	<b>(3,408,246)</b>	<b>31,610,854</b>
Nontax revenue .....	572,200	105,500	677,700	(12,769)	664,931
<b>TOTAL REVENUE STATE</b> .....	<b>35,496,800</b>	<b>200,000</b>	<b>35,696,800</b>	<b>(3,421,015)</b>	<b>32,275,785</b>
less: Refunds .....	(1,306,000)	156,000	(1,150,000)	—	(1,150,000)
plus: Departmental services .....	5,563,087	—	5,563,087	(63,765)	5,499,322
<b>TOTAL STATE PROGRAMS</b> .....	<b>39,753,887</b>	<b>356,000</b>	<b>40,109,887</b>	<b>(3,484,780)</b>	<b>36,625,107</b>
Federal programs .....	28,228,217	8,258,755	36,486,972	—	36,486,972
<b>TOTAL REVENUES</b> .....	<b>67,982,104</b>	<b>8,614,755</b>	<b>76,596,859</b>	<b>(3,484,780)</b>	<b>73,112,079</b>
<b>EXPENDITURES:</b>					
State programs <sup>(1)</sup> .....	39,557,982	125,333	39,683,315	(93,765)	39,589,550
Federal programs .....	28,228,217	8,258,755	36,486,972	—	36,486,972
<b>TOTAL EXPENDITURES</b> .....	<b>67,786,199</b>	<b>8,384,088</b>	<b>76,170,287</b>	<b>(93,765)</b>	<b>76,076,522</b>
<b>REVENUES OVER/(UNDER) EXPENDITURES</b> .....	<b>195,905</b>	<b>230,667</b>	<b>426,572</b>	<b>(3,391,015)</b>	<b>(2,964,443)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Prior year lapses .....	—	200,000	200,000	—	200,000
Transfer to Budget Stabilization Reserve Fund .....	—	(1,086)	(1,086)	1,086	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>—</b>	<b>198,914</b>	<b>198,914</b>	<b>1,086</b>	<b>200,000</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> .....	<b>195,905</b>	<b>429,581</b>	<b>625,486</b>	<b>(3,389,929)</b>	<b>(2,764,443)</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2019, REVISED</b> .....	<b>—</b>	<b>9,000</b>	<b>9,000</b>	<b>21,373</b>	<b>30,373</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2020</b> .....	<b>\$ 195,905</b>	<b>\$ 438,581</b>	<b>\$ 634,486</b>	<b>\$ (3,368,556)</b>	<b>\$ (2,734,070)</b>

(1) Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

(2) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 beginning on page 207.

For Supporting Documentation, please go to [www.budget.pa.gov](http://www.budget.pa.gov)

- The notes to required supplementary information are an integral part of this schedule. -

**Commonwealth of Pennsylvania**  
**Budgetary Comparison Schedule**  
 Budgeted Major Funds  
 Special Revenue Fund-Motor License  
 For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) <sup>(3)</sup>
<b>REVENUES:</b>					
State Programs:					
Liquid fuels taxes .....	\$ 1,821,900	\$ 12,300	\$ 1,834,200	\$ (125,762)	\$ 1,708,438
Motor licenses and fees .....	1,008,600	400	1,009,000	(54,956)	954,044
Other Motor License Fund revenues <sup>(1)</sup> .....	19,400	(700)	18,700	(17,703)	997
<b>TOTAL REVENUE STATE</b> .....	<b>2,849,900</b>	<b>12,000</b>	<b>2,861,900</b>	<b>(198,421)</b>	<b>2,663,479</b>
plus: Departmental services <sup>(1)</sup> .....	129,899	—	129,899	(53,525)	76,374
<b>TOTAL STATE PROGRAMS</b> .....	<b>2,979,799</b>	<b>12,000</b>	<b>2,991,799</b>	<b>(251,946)</b>	<b>2,739,853</b>
Federal programs .....	2,071,247	—	2,071,247	(417,776)	1,653,471
<b>TOTAL REVENUES</b> .....	<b>5,051,046</b>	<b>12,000</b>	<b>5,063,046</b>	<b>(669,722)</b>	<b>4,393,324</b>
<b>EXPENDITURES:</b>					
State programs .....	2,996,504	5,600	3,002,104	(158,687)	2,843,417
Federal programs .....	2,071,247	—	2,071,247	(417,776)	1,653,471
<b>TOTAL EXPENDITURES</b> .....	<b>5,067,751</b>	<b>5,600</b>	<b>5,073,351</b>	<b>(576,463)</b>	<b>4,496,888</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>(16,705)</b>	<b>6,400</b>	<b>(10,305)</b>	<b>(93,259)</b>	<b>(103,564)</b>
<b>OTHER FINANCING SOURCES:</b>					
Current year lapses <sup>(2)</sup> .....	—	2,000	2,000	(2,000)	—
Prior year lapses .....	—	25,000	25,000	(1,603)	23,397
<b>TOTAL OTHER FINANCING SOURCES</b> .....	<b>—</b>	<b>27,000</b>	<b>27,000</b>	<b>(3,603)</b>	<b>23,397</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b> .....	<b>(16,705)</b>	<b>33,400</b>	<b>16,695</b>	<b>(96,862)</b>	<b>(80,167)</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2019</b> .....	<b>28,977</b>	<b>—</b>	<b>28,977</b>	<b>—</b>	<b>28,977</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2020</b> .....	<b>\$ 12,272</b>	<b>\$ 33,400</b>	<b>\$ 45,672</b>	<b>\$ (96,862)</b>	<b>\$ (51,190)</b>

(1) Act 44 receipts are included in Other **Motor License Fund** Revenues.

(2) Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

(3) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 starting on page 207.

For Supporting Documentation, please go to [www.budget.pa.gov](http://www.budget.pa.gov)

- The notes to required supplementary information are an integral part of this schedule. -

**Note 1 - Budget Preparation Process**

The process of preparing the **General Fund** Budget for the Commonwealth of Pennsylvania begins nearly one year before the new budget is anticipated to be enacted and takes effect on July 1 each year. The budget process begins in August of the year previous to the budget year with the distribution of both the Budget Instructions and Program Policy Guidelines by the Office of the Budget and the Governor's Office, respectively. These provide detailed guidelines and define major policy issues to be considered when agencies complete their budget requests. As required by statute, agencies must prepare budgets that indicate the cost of supporting activities at the level expected in the immediate budget year and the ensuing four budget years. The five-year horizon does not include future program changes but considers the requirements and demands of current law, regulation, policy and program decisions.

Agencies submit budget requests to the Secretary of the Budget beginning in early October. From October through January, the Office of the Budget reviews these requests for accuracy and adherence to policy guidelines and prepares funding recommendations for the Secretary of the Budget and the Governor.

During December, the Governor meets with leaders of the General Assembly to inform them of anticipated spending and revenue levels and to discuss related budgetary issues. The Governor then conducts reviews to make the final budget decisions. The Governor's Executive Budget is finalized in January and is submitted to the General Assembly in early February.

After receiving the budget document, the appropriations committees of both houses of the legislature hold hearings to review agency funding requests. The General Assembly passes the budget in the form of a General Appropriations Bill and individual appropriations bills. At the time of passage of these bills and their presentation to the Governor, the official revised revenue estimates for the budget year are issued. If the combined appropriations bills passed by the legislature exceed the revenue estimates, the Governor is required and has the authority to either veto entire appropriations bills or to reduce the amount of appropriations in order to produce a budget that is in balance. The Governor also has the power to reduce or veto any specific appropriation even if the total appropriations do not exceed estimated revenues. The Governor's signing of the appropriations bills and any revenue bills is the last step in the approval stage of the budget. Additional information regarding Pennsylvania's budgeting process may be located at: [www.budget.pa.gov](http://www.budget.pa.gov) and click on Current and Proposed Commonwealth Budgets.

**Note 2 – Basis of Budgeting**

On the budgetary basis, certain estimated tax revenue accruals are recorded at fiscal year-end for the **General Fund** and the **Motor License Fund**, a special revenue fund. Accruals include sales and use taxes and personal income taxes, both applicable to the **General Fund**, and liquid fuels taxes applicable to the **Motor License Fund**. These taxes are estimated to be owed to the Commonwealth but are not collected by fiscal year-end. Actual budgetary federal program revenues are recorded in amounts equal to federal expenditures. Also, estimated encumbrances and unspent appropriation balances are available for all funds at fiscal year-end to pay certain direct expenditures for salaries, wages, travel, and utility costs payable against current year appropriation authority but paid in the subsequent year. Over-estimates of prior year encumbrances and available appropriation balances are lapsed in the subsequent year and under-estimates are charged to subsequent year appropriation authority.

Budgeted revenues in the budgetary comparison schedules represent official estimates while expenditures represent amounts originally adopted or legally amended. Actual amounts are presented on the budgetary basis. Because the budgetary basis differs from the modified accrual basis of accounting for governmental funds, a reconciliation of the differences between budgetary basis and the modified accrual basis of reporting is presented.

**Note 3 - Reconciliation of Budgetary to GAAP Basis Amounts**

The Commonwealth adopts formal annual budgets for two major governmental funds (**General Fund** and **Motor License Fund**, a special revenue fund) and three nonmajor governmental funds (Workmen's Compensation Administration, Banking, and Milk Marketing special revenue funds). The budgetary comparison schedules for budgeted major and nonmajor funds present comparisons of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

(amounts in thousands)

The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting for the major budgeted funds:

	<b>General Fund</b>			
	<b>General Fund (Budgeted)</b>	<b>General Fund Components (Nonbudgeted)</b>	<b>Total</b>	<b>Motor License Fund</b>
<b>Budgetary Basis-</b>				
Revenues and other sources over/(under) expenditures and other uses .....	\$ (2,764,443)	\$ —	\$ (2,764,443)	\$ (80,167)
<b>Adjustments:</b>				
<b>Basis differences</b>				
To adjust revenues, other financing sources and related receivables and unearned revenue .....	(2,679,714)	—	(2,679,714)	1,876,266
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities .....	2,989,206	—	2,989,206	(2,072,741)
<b>Basis difference adjustments</b> .....	<u>309,492</u>	<u>—</u>	<u>309,492</u>	<u>(196,475)</u>
<b>Perspective differences</b>				
Nonbudgeted statutory funds which are financially reported as part of this fund:				
Revenues .....	—	596,666	596,666	406
Expenditures .....	—	(502,332)	(502,332)	(455)
<b>Perspective difference adjustments</b> .....	<u>—</u>	<u>94,334</u>	<u>94,334</u>	<u>(49)</u>
<b>Net adjustments</b> .....	<u>309,492</u>	<u>94,334</u>	<u>403,826</u>	<u>(196,524)</u>
<b>Modified accrual basis-</b> net change in governmental fund balance.	<u>\$ (2,454,951)</u>	<u>\$ 94,334</u>	<u>\$ (2,360,617)</u>	<u>\$ (276,691)</u>

The above revenue adjustments include net revenue accruals and unearned revenue, amounts to recognize certain pass through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

**Note 4 – Budgetary Compliance – Legal Level of Budgetary Control**

The General Assembly passes, and the Governor approves (or reduces or vetoes), individual appropriations as part of the annual budget adoption process. Budgetary expenditure control occurs at the appropriation level; this is the lowest level of legislative spending control. Encumbrances and expenditures within individual appropriations may not exceed total amounts appropriated plus actual augmentations (certain revenues credited to specific appropriations). Also, appropriation transfers between or within departments and any supplemental appropriations require both legislative and gubernatorial approval. The legislatively adopted budget for the **General Fund** includes a net \$125,333 of appropriation increases approved for the fiscal year ended June 30, 2020.

Due to the volume of appropriations within the **General Fund** and **Motor License Fund**, separately available reports, ‘**General Fund** Budgetary Comparison Schedule Rationale’ and ‘**Motor License Fund** Budgetary Comparison Schedule Rationale’ are available at the Pennsylvania Office of the Budget website: [www.budget.pa.gov](http://www.budget.pa.gov) under Publications and Reports, Annual Financial Report. These reports provide source documentation for the original, final and actual budgetary revenues and expenditures, as well as demonstrate budgetary expenditure compliance by appropriation (the legal level of budgetary control) for the fiscal year ended June 30, 2020.

Three legislatively budgeted non-major special revenue funds are reported in the combining special revenue budgetary comparison schedules. These non-major funds are comprised of fewer individual appropriations, and the budgetary comparison schedules are presented at the legal level of budgetary control. The Governor controls spending by using executive authorizations for special revenue funds not controlled by legislatively adopted budgets. More information on the three non-major special revenue funds budgetary compliance is included with the special revenue funds budgetary comparison schedules.

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Combining Financial Statements

Including  
Nonmajor Budgetary Comparison Schedules

**Commonwealth of Pennsylvania**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**

June 30, 2020

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
<b>ASSETS</b>				
Cash.....	\$ 45,561	\$ —	\$ —	\$ 45,561
Cash with fiscal agents.....	8,042	—	—	8,042
Temporary investments.....	2,683,746	4,870	265,963	2,954,579
Long-term investments.....	2,143,343	—	160,022	2,303,365
Receivables (net):				
Taxes.....	—	—	31,684	31,684
Accounts.....	251,300	—	—	251,300
Investment income.....	3,873	4	106	3,983
Investment sale proceeds.....	2,239	—	—	2,239
Due from other funds.....	276,923	—	18,281	295,204
Due from pension trust funds.....	54	—	—	54
Due from component units.....	4,992	285	1,062	6,339
Due from Federal Government.....	11,660	—	—	11,660
Due from other governments.....	11	—	—	11
Advances to other funds.....	284,000	—	—	284,000
<b>TOTAL ASSETS</b> .....	<u>\$ 5,715,744</u>	<u>\$ 5,159</u>	<u>\$ 477,118</u>	<u>\$ 6,198,021</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities.....	\$ 353,570	\$ 1	\$ 77,265	\$ 430,836
Investment purchases payable.....	3,250	—	—	3,250
Securities lending obligations.....	63,804	—	2,467	66,271
Due to other funds.....	102,911	—	12,099	115,010
Due to component units.....	19,470	—	—	19,470
Due to pension trust funds.....	2,955	—	6	2,961
Due to political subdivisions.....	171,638	—	25,968	197,606
Due to other governments.....	645	—	2	647
Unearned revenue.....	59,635	—	—	59,635
Advances from other funds.....	20,692	—	—	20,692
<b>TOTAL LIABILITIES</b> .....	<u>798,570</u>	<u>1</u>	<u>117,807</u>	<u>916,378</u>
<b>Deferred inflows of resources:</b>				
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>172,564</u>	<u>—</u>	<u>—</u>	<u>172,564</u>
<b>Fund balances:</b>				
Restricted.....	4,695,407	—	—	4,695,407
Committed.....	64,077	5,158	359,311	428,546
Unassigned deficit.....	(14,874)	—	—	(14,874)
<b>TOTAL FUND BALANCES</b> .....	<u>4,744,610</u>	<u>5,158</u>	<u>359,311</u>	<u>5,109,079</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> .....	<u>\$ 5,715,744</u>	<u>\$ 5,159</u>	<u>\$ 477,118</u>	<u>\$ 6,198,021</u>

**Commonwealth of Pennsylvania**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
<b>REVENUES:</b>				
Taxes.....	\$ 2,087,002	\$ —	\$ 356,900	\$ 2,443,902
Licenses and fees.....	1,340,478	—	—	1,340,478
Intergovernmental.....	689,230	14,969	—	704,199
Charges for sales and services.....	481,709	—	3,297	485,006
Investment income.....	160,325	347	19,081	179,753
Other.....	256,189	13,853	—	270,042
<b>TOTAL REVENUES</b> .....	<b>5,014,933</b>	<b>29,169</b>	<b>379,278</b>	<b>5,423,380</b>
<b>EXPENDITURES:</b>				
Current:				
Direction and supportive services.....	305,961	—	67,110	373,071
Protection of persons and property.....	1,020,106	—	421	1,020,527
Health and human services.....	634,722	—	—	634,722
Public education.....	620,309	—	19,364	639,673
Recreation and cultural enrichment.....	205,528	—	60,365	265,893
Economic development.....	609,523	—	121,677	731,200
Transportation.....	1,342,404	—	324,839	1,667,243
Capital outlay.....	34,156	—	237,355	271,511
Debt service:				
Principal retirement.....	—	817,746	—	817,746
Interest and fiscal charges.....	—	507,952	—	507,952
<b>TOTAL EXPENDITURES</b> .....	<b>4,772,709</b>	<b>1,325,698</b>	<b>831,131</b>	<b>6,929,538</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES</b>				
<b>OVER/(UNDER) EXPENDITURES</b> .....	<b>242,224</b>	<b>(1,296,529)</b>	<b>(451,853)</b>	<b>(1,506,158)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	423,976	1,306,059	19,997	1,750,032
Transfers out.....	(747,535)	(18,578)	(139,448)	(905,561)
<b>NET OTHER FINANCING</b>				
<b>SOURCES (USES)</b> .....	<b>(323,559)</b>	<b>1,287,481</b>	<b>(119,451)</b>	<b>844,471</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(81,335)</b>	<b>(9,048)</b>	<b>(571,304)</b>	<b>(661,687)</b>
<b>FUND BALANCES, July 1, 2019 (restated)</b> .....	<b>4,825,945</b>	<b>14,206</b>	<b>930,615</b>	<b>5,770,766</b>
<b>FUND BALANCES, June 30, 2020</b> .....	<b>\$ 4,744,610</b>	<b>\$ 5,158</b>	<b>\$ 359,311</b>	<b>\$ 5,109,079</b>

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Special Revenue Funds

Including  
Nonmajor Budgetary Comparison Schedules

**SPECIAL REVENUE FUNDS  
DESCRIPTION  
NONMAJOR FUNDS**

Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

**Banking Fund** - to account for the administration of the Department of Banking and Securities and regulation of financial institutions. Revenue is received from fees, assessments, charges, and penalties collected or recovered from persons, firms, corporations, or associations regulated by the Department of Banking and Securities.

**Milk Marketing Fund** - to account for the operation of the Milk Marketing Board and to serve as a depository for amounts due to dairy farmers from underpayments by dealers. Revenue is received from license fees, fines, penalties, and permits relating to the milk industry.

**Workmen's Compensation Administration Fund** - to account for the administration of the Pennsylvania Workers' Compensation Act and the Pennsylvania Occupational Disease Act. Insurance companies and self-insured businesses are assessed a periodic fee for costs incurred in administering these acts.

**Workers' Compensation Security Fund** - to account for the payment of workers' compensation claims to individuals who are insured by an insolvent insurance company and for the costs to administer the program. Funds are derived from an annual assessment on all insurance carriers authorized to transact and provide workers' compensation insurance in the Commonwealth.

**Tobacco Settlement Fund** - established to deposit all payments received by the Commonwealth pursuant to the Master Settlement Agreement with tobacco product manufacturers. Deposits into this fund include: jurisdictional payments received by the Commonwealth from the Master Settlement Agreement, strategic contribution payments from the Master Settlement Agreement, and earnings from investments. Expenditures from this fund are determined by the annual budget appropriated to each program.

**Public Transportation Trust Fund** - to provide dedicated funding for public transportation in the Commonwealth. Revenues come from scheduled payments by the Pennsylvania Turnpike Commission, a portion of the Sales and Use Tax, and transfers from the Public Transportation Assistance Fund and the **Lottery Fund**. Monies in this fund are disbursed as grants to public transit agencies for operating costs (including Shared Ride and Free Transit for Older Pennsylvanians), capital and asset improvements, and programs of statewide significance.

**Gaming Fund** - to account for the administration of the Race Horse Development and Gaming Act and Act 42 of 2017. Revenue is received from license fees, a percentage of the gross terminal revenue generated by licensed gaming facilities, a percentage of gross interactive gaming revenue generated through simulated slot machines and simulated table games, and assessments from licensees for the administration and enforcement of fantasy contests.

**Other** - to account for programs related to restoration, conservation, protection, and management of natural resources; the payment of prescription drugs for eligible citizens 65 years or older; the preservation of historical landmarks; vocational rehabilitation services; administrative and regulatory activities of various departmental programs; and miscellaneous Commonwealth activities. This "Other" category is an aggregation of 51 individual special revenue funds.

There are a total of 58 individual special revenue funds; the **Motor License Fund** is reported as a Major Fund in the basic financial statements.

**Commonwealth of Pennsylvania**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
Special Revenue Funds  
June 30, 2020

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
<b>ASSETS</b>									
Cash .....	\$ 38	\$ 412	\$ —	\$ 67	\$ 474	\$ 8,379	\$ 2,151	\$ 34,040	\$ 45,561
Cash with fiscal agents .....	—	—	—	—	—	—	—	8,042	8,042
Temporary investments .....	14,412	2,659	77,260	69,349	107,436	712,303	356,964	1,343,363	2,683,746
Long-term investments .....	17,148	—	—	821,509	—	348,198	—	956,488	2,143,343
Receivables (net):									
Accounts .....	10,550	—	—	—	172,565	—	3	68,182	251,300
Investment income .....	5	1	—	2,287	—	253	129	1,198	3,873
Investment sale proceeds .....	—	—	—	814	—	—	—	1,425	2,239
Due from other funds .....	1	—	28	—	379	151,761	851	123,903	276,923
Due from pension trust funds .....	—	—	—	—	—	54	—	—	54
Due from component units .....	—	—	—	—	—	—	4,992	—	4,992
Due from Federal Government .....	—	—	—	—	7,330	—	—	4,330	11,660
Due from other governments .....	—	—	—	—	—	—	—	11	11
Advances to other funds .....	—	—	16,500	165,000	—	—	—	102,500	284,000
<b>TOTAL ASSETS</b> .....	<u>\$ 42,154</u>	<u>\$ 3,072</u>	<u>\$ 93,788</u>	<u>\$ 1,059,026</u>	<u>\$ 288,184</u>	<u>\$ 1,220,948</u>	<u>\$ 365,090</u>	<u>\$ 2,643,482</u>	<u>\$ 5,715,744</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities .....	\$ 1,009	\$ 89	\$ 3,530	\$ 5,248	\$ 103,848	\$ 86,424	\$ 36,729	\$ 116,693	\$ 353,570
Investment purchases payable .....	—	—	—	1,853	—	—	—	1,397	3,250
Securities lending obligations .....	264	—	—	36,039	—	5,369	—	22,132	63,804
Due to other funds .....	33	4	131	—	3,959	9,418	16,805	72,561	102,911
Due to component units .....	—	—	—	—	—	—	15,000	4,470	19,470
Due to pension trust funds .....	82	18	223	4	3	21	494	2,110	2,955
Due to political subdivisions .....	—	—	—	—	1,161	42,065	31,387	97,025	171,638
Due to other governments .....	19	4	49	1	1	5	50	516	645
Unearned revenue .....	—	1,025	—	—	—	—	—	58,610	59,635
Advances from other funds .....	—	—	—	—	—	—	1,192	19,500	20,692
<b>TOTAL LIABILITIES</b> .....	<u>1,407</u>	<u>1,140</u>	<u>3,933</u>	<u>43,145</u>	<u>108,972</u>	<u>143,302</u>	<u>101,657</u>	<u>395,014</u>	<u>798,570</u>
<b>Deferred inflows of resources:</b>									
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>172,564</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>172,564</u>
<b>Fund balances:</b>									
Restricted .....	40,747	1,932	89,855	1,015,881	—	1,077,646	263,433	2,205,913	4,695,407
Committed .....	—	—	—	—	6,648	—	—	57,429	64,077
Unassigned deficit .....	—	—	—	—	—	—	—	(14,874)	(14,874)
<b>TOTAL FUND BALANCES</b> .....	<u>40,747</u>	<u>1,932</u>	<u>89,855</u>	<u>1,015,881</u>	<u>6,648</u>	<u>1,077,646</u>	<u>263,433</u>	<u>2,248,468</u>	<u>4,744,610</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> .....	<u>\$ 42,154</u>	<u>\$ 3,072</u>	<u>\$ 93,788</u>	<u>\$ 1,059,026</u>	<u>\$ 288,184</u>	<u>\$ 1,220,948</u>	<u>\$ 365,090</u>	<u>\$ 2,643,482</u>	<u>\$ 5,715,744</u>

**Commonwealth of Pennsylvania**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Budgeted Funds							Total	
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming		Other
<b>REVENUES:</b>									
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 522,067	\$ 1,053,291	\$ 511,644	\$ 2,087,002
Licenses and fees.....	9,316	2,274	12	21,019	—	271,497	79,576	956,784	1,340,478
Intergovernmental.....	—	—	—	—	91,877	450,000	3,407	143,946	689,230
Charges for sales and services.....	21,488	—	60,941	—	21,607	1,778	—	375,895	481,709
Investment income.....	6,338	49	—	52,995	2,045	28,976	5,263	64,659	160,325
Other.....	5,029	35	98	189	230,335	—	—	20,503	256,189
<b>TOTAL REVENUES</b> .....	<b>42,171</b>	<b>2,358</b>	<b>61,051</b>	<b>74,203</b>	<b>345,864</b>	<b>1,274,318</b>	<b>1,141,537</b>	<b>2,073,431</b>	<b>5,014,933</b>
<b>EXPENDITURES:</b>									
Current:									
Direction and supportive services.....	—	—	—	—	—	—	305,506	455	305,961
Protection of persons and property.....	30,835	2,390	—	22,883	—	—	35,246	928,752	1,020,106
Health and human services.....	—	—	63,272	—	513,352	—	3,115	54,983	634,722
Public education.....	—	—	—	—	—	—	620,144	165	620,309
Recreation and cultural enrichment.....	—	—	—	—	—	—	10,311	195,217	205,528
Economic development.....	—	—	237	—	3,000	—	21,431	584,855	609,523
Transportation.....	—	—	—	—	—	1,271,949	—	70,455	1,342,404
Capital outlay.....	—	—	—	—	—	3,267	—	30,889	34,156
<b>TOTAL EXPENDITURES</b> .....	<b>30,835</b>	<b>2,390</b>	<b>63,509</b>	<b>22,883</b>	<b>516,352</b>	<b>1,275,216</b>	<b>995,753</b>	<b>1,865,771</b>	<b>4,772,709</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>11,336</b>	<b>(32)</b>	<b>(2,458)</b>	<b>51,320</b>	<b>(170,488)</b>	<b>(898)</b>	<b>145,784</b>	<b>207,660</b>	<b>242,224</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers in.....	—	—	2,495	—	115,339	119,686	—	186,456	423,976
Transfers out.....	(21,000)	—	—	—	—	(30,000)	(426,055)	(270,480)	(747,535)
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(21,000)</b>	<b>—</b>	<b>2,495</b>	<b>—</b>	<b>115,339</b>	<b>89,686</b>	<b>(426,055)</b>	<b>(84,024)</b>	<b>(323,559)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(9,664)</b>	<b>(32)</b>	<b>37</b>	<b>51,320</b>	<b>(55,149)</b>	<b>88,788</b>	<b>(280,271)</b>	<b>123,636</b>	<b>(81,335)</b>
<b>FUND BALANCES, JULY 1, 2019 (restated)</b> .....	<b>50,411</b>	<b>1,964</b>	<b>89,818</b>	<b>964,561</b>	<b>61,797</b>	<b>988,858</b>	<b>543,704</b>	<b>2,124,832</b>	<b>4,825,945</b>
<b>FUND BALANCES, JUNE 30, 2020</b> .....	<b>\$ 40,747</b>	<b>\$ 1,932</b>	<b>\$ 89,855</b>	<b>\$ 1,015,881</b>	<b>\$ 6,648</b>	<b>\$ 1,077,646</b>	<b>\$ 263,433</b>	<b>\$ 2,248,468</b>	<b>\$ 4,744,610</b>

**Commonwealth of Pennsylvania**  
**Budgetary Comparison Schedule**  
 Budgeted Nonmajor Funds  
 Special Revenue Fund-Banking  
 For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
<b>REVENUES:</b>					
State Programs:					
Licenses and fees.....	\$ 26,059	\$ 2,597	\$ 28,656	\$ 226	\$ 28,882
Fines, penalties and interest.....	400	436	836	703	1,539
Investment income.....	859	—	859	55	914
<b>TOTAL REVENUES</b> .....	<b>27,318</b>	<b>3,033</b>	<b>30,351</b>	<b>984</b>	<b>31,335</b>
<b>EXPENDITURES:</b>					
State Programs:					
General Government Operations.....	24,848	—	24,848	—	24,848
Transfer to Environmental Programs.....	—	21,000	21,000	—	21,000
Transfer to Institution Resolution Account.....	3,000	—	3,000	—	3,000
<b>TOTAL EXPENDITURES</b> .....	<b>27,848</b>	<b>21,000</b>	<b>48,848</b>	<b>—</b>	<b>48,848</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>(530)</b>	<b>(17,967)</b>	<b>(18,497)</b>	<b>984</b>	<b>(17,513)</b>
<b>OTHER FINANCING SOURCES:</b>					
Prior year lapses.....	—	7,347	7,347	—	7,347
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b> .....	<b>(530)</b>	<b>(10,620)</b>	<b>(11,150)</b>	<b>984</b>	<b>(10,166)</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2019</b> .....	<b>14,981</b>	<b>—</b>	<b>14,981</b>	<b>—</b>	<b>14,981</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2020</b> .....	<b>\$ 14,451</b>	<b>\$ (10,620)</b>	<b>\$ 3,831</b>	<b>\$ 984</b>	<b>\$ 4,815</b>

**Budgetary Compliance**

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

**Reconciliation of Budgetary to GAAP Basis Amounts**

The Commonwealth adopts a formal annual budget for the Banking Department Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

<b>Budgetary basis</b> — revenues and other sources under expenditures (from Actual column above).....	<b>\$ (10,166)</b>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue.....	3,488
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities.....	<u>(2,986)</u>
Net adjustments.....	<u>502</u>
<b>Modified accrual basis</b> — net change in governmental fund balance.....	<b>\$ (9,664)</b>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 207 to 209 are an integral part of this schedule. —

**Commonwealth of Pennsylvania**  
**Budgetary Comparison Schedule**  
 Budgeted Nonmajor Funds  
 Special Revenue Fund-Milk Marketing  
 For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
<b>REVENUES:</b>					
State Programs:					
Licenses and fees .....	\$ 2,422	\$ (59)	\$ 2,363	\$ (55)	\$ 2,308
Fines, penalties and interest .....	8	(3)	5	(4)	1
Investment income .....	69	5	74	(21)	53
<b>TOTAL REVENUES</b> .....	<b>2,499</b>	<b>(57)</b>	<b>2,442</b>	<b>(80)</b>	<b>2,362</b>
<b>EXPENDITURES:</b>					
State programs:					
General Operations .....	2,840	—	2,840	—	2,840
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>(341)</b>	<b>(57)</b>	<b>(398)</b>	<b>(80)</b>	<b>(478)</b>
<b>OTHER FINANCING SOURCES:</b>					
Prior year lapses .....	—	277	277	—	277
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b> .....	<b>(341)</b>	<b>220</b>	<b>(121)</b>	<b>(80)</b>	<b>(201)</b>
<b>FUND BALANCE</b>					
(BUDGETARY BASIS), JUNE 30, 2019 .....	1,657	—	1,657	—	1,657
<b>FUND BALANCE</b>					
(BUDGETARY BASIS), JUNE 30, 2020 .....	<b>\$ 1,316</b>	<b>\$ 220</b>	<b>\$ 1,536</b>	<b>\$ (80)</b>	<b>\$ 1,456</b>

**Budgetary Compliance**

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

**Reconciliation of Budgetary to GAAP Basis Amounts**

The Commonwealth adopts a formal annual budget for the Milk Marketing Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

<b>Budgetary basis</b> — revenues and other sources over expenditures (from Actual column above) .....	<b>\$ (201)</b>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue .....	(281)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities .....	450
Net adjustments .....	169
<b>Modified accrual basis</b> — net change in governmental fund balance .....	<b>\$ (32)</b>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 207 to 209 are an integral part of this schedule. —

**Commonwealth of Pennsylvania**  
**Budgetary Comparison Schedule**  
 Budgeted Nonmajor Funds  
 Special Revenue Fund-Workmen's Compensation Administration  
 For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
<b>REVENUES:</b>					
State Programs:					
Taxes, net of refunds .....	\$ 62,500	\$ 3,375	\$ 65,875	\$ (380)	\$ 65,495
Fines, penalties and interest .....	25	(23)	2	15	17
Departmental Services .....	300	—	300	(237)	63
Miscellaneous .....	—	50	50	49	99
<b>TOTAL REVENUES</b> .....	<b>62,825</b>	<b>3,402</b>	<b>66,227</b>	<b>(553)</b>	<b>65,674</b>
<b>EXPENDITURES:</b>					
State programs:					
Administration of Workers' Compensation .....	70,664	—	70,664	(237)	70,427
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>(7,839)</b>	<b>3,402</b>	<b>(4,437)</b>	<b>(316)</b>	<b>(4,753)</b>
<b>OTHER FINANCING SOURCES:</b>					
Prior year lapses .....	—	22,252	22,252	—	22,252
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b> .....	<b>(7,839)</b>	<b>25,654</b>	<b>17,815</b>	<b>(316)</b>	<b>17,499</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2019</b> .....	<b>48,605</b>	<b>—</b>	<b>48,605</b>	<b>—</b>	<b>48,605</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2020</b> .....	<b>\$ 40,766</b>	<b>\$ 25,654</b>	<b>\$ 66,420</b>	<b>\$ (316)</b>	<b>\$ 66,104</b>

**Budgetary Compliance**

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

**Reconciliation of Budgetary to GAAP Basis Amounts**

The Commonwealth adopts a formal annual budget for the Workmen's Compensation Administration Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

<b>Budgetary basis</b> — revenues and other sources under expenditures (from Actual column above) .....	<u>\$ 17,499</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue .....	(24,379)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities .....	<u>6,917</u>
Net adjustments .....	<u>(17,462)</u>
<b>Modified accrual basis</b> — net change in governmental fund balance .....	<u>\$ 37</u>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 207 to 209 are an integral part of this schedule. —

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Debt Service Funds

**DEBT SERVICE FUNDS  
DESCRIPTION  
NONMAJOR FUNDS**

Debt service funds account for the accumulation of resources, principally from transfers from other Funds, for the payment of general long-term debt principal and interest.

***Pennsylvania Infrastructure Investment Authority Redemption Fund*** - to account for the payment of principal and interest on bonds issued for loans to local water companies for the repair, construction, extension, and improvement of water supply systems, dams, port facilities, and water control systems. Funding consists of transfers from the **General Fund** and the Pennsylvania Infrastructure Investment Authority and investment income.

***Capital Debt Fund*** - to account for the payment of principal and interest related to general obligation bonds issued for capital projects authorized by Capital Budget Acts. Funding consists of primarily from transfers from the **General Fund** and the **Motor License Fund**, facility rental, and investment income.

***Growing Greener Bond Sinking Fund*** - payments for principal and interest for the Growing Greener Bond Fund are made from this Fund. Funding consists of transfers from the Environmental Stewardship Fund.

***Water and Sewer Systems Assistance Bond Sinking Fund*** - payments to redeem or pay interest on bonds issued for the Water and Sewer Systems Assistance Fund are made from this Fund. Funding is requested annually by the Governor and appropriated by the General Assembly.

***Water Supply and Wastewater Treatment Sinking Fund*** - monies in this fund are used to redeem or pay interest on bonds issued for the Water Supply and Wastewater Treatment Fund. Funding consists of monies appropriated annually by the General Assembly.

***Other*** - these funds account for the payment of principal and interest on bonds issued for loans to nursing homes and volunteer fire companies, compensation to Vietnam conflict veterans, finance of various environmental initiatives, and for water and wastewater infrastructure projects related to economic development. Funding consists of transfers from the **General Fund**, Environmental Stewardship Fund, and investment income. This other category is an aggregation of 13 individual debt service funds.

There are a total of 18 individual debt service funds; all are reported as nonmajor funds.

**Commonwealth of Pennsylvania**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
Debt Service Funds

June 30, 2020

(Amounts in thousands)

	<b>Pennsylvania Infrastructure Investment Authority Redemption</b>	<b>Capital Debt</b>	<b>Growing Greener Bond Sinking</b>	<b>Water and Sewer Systems Assistance Bond Sinking</b>	<b>Water Supply and Wastewater Treatment Sinking</b>	<b>Other</b>	<b>Total</b>
<b>ASSETS</b>							
Temporary investments.....	\$ 1,061	\$ 3,650	\$ 6	\$ 2	\$ —	\$ 151	\$ 4,870
Receivables (net):							
Investment income.....	—	4	—	—	—	—	4
Due from component units.....	285	—	—	—	—	—	285
<b>TOTAL ASSETS</b> .....	<b>\$ 1,346</b>	<b>\$ 3,654</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 151</b>	<b>\$ 5,159</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities.....	—	1	—	—	—	—	1
<b>TOTAL LIABILITIES</b> .....	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1</b>
<b>Fund balances:</b>							
Committed.....	1,346	3,653	6	2	—	151	5,158
<b>TOTAL FUND BALANCES</b> .....	<b>1,346</b>	<b>3,653</b>	<b>6</b>	<b>2</b>	<b>—</b>	<b>151</b>	<b>5,158</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 1,346</b>	<b>\$ 3,654</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 151</b>	<b>\$ 5,159</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Debt Service Funds

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	<b>Pennsylvania Infrastructure Investment Authority Redemption</b>	<b>Capital Debt</b>	<b>Growing Greener Bond Sinking</b>	<b>Water and Sewer Systems Assistance Bond Sinking</b>	<b>Water Supply and Wastewater Treatment Sinking</b>	<b>Other</b>	<b>Total</b>
<b>REVENUES:</b>							
Intergovernmental.....	\$ —	\$ 14,969	\$ —	\$ —	\$ —	\$ —	\$ 14,969
Investment income.....	276	69	—	—	—	2	347
Other.....	13,853	—	—	—	—	—	13,853
<b>TOTAL REVENUES</b> .....	<b>14,129</b>	<b>15,038</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>29,169</b>
<b>EXPENDITURES:</b>							
Debt service:							
Principal retirement.....	5,290	787,667	12,619	10,170	2,000	—	817,746
Interest and fiscal charges.....	2,801	493,794	6,461	3,494	1,402	—	507,952
<b>TOTAL EXPENDITURES</b> .....	<b>8,091</b>	<b>1,281,461</b>	<b>19,080</b>	<b>13,664</b>	<b>3,402</b>	<b>—</b>	<b>1,325,698</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>6,038</b>	<b>(1,266,423)</b>	<b>(19,080)</b>	<b>(13,664)</b>	<b>(3,402)</b>	<b>2</b>	<b>(1,296,529)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in.....	—	1,269,912	19,081	13,664	3,402	—	1,306,059
Transfers out.....	(18,501)	(77)	—	—	—	—	(18,578)
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(18,501)</b>	<b>1,269,835</b>	<b>19,081</b>	<b>13,664</b>	<b>3,402</b>	<b>—</b>	<b>1,287,481</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(12,463)</b>	<b>3,412</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>(9,048)</b>
<b>FUND BALANCES, JULY 1, 2019</b> .....	<b>13,809</b>	<b>241</b>	<b>5</b>	<b>2</b>	<b>—</b>	<b>149</b>	<b>14,206</b>
<b>FUND BALANCES, JUNE 30, 2020</b> .....	<b>\$ 1,346</b>	<b>\$ 3,653</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 151</b>	<b>\$ 5,158</b>



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Capital Projects Funds

**CAPITAL PROJECTS FUNDS  
DESCRIPTION  
NONMAJOR FUNDS**

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions or other public organizations.

**Capital Facilities Fund** - to account for general obligation bond proceeds used to fund capital projects specifically itemized and authorized by capital budget acts. Projects fall within six broad categories: public improvements, public improvement-original furniture and equipment, transportation assistance, redevelopment assistance, flood control and highway projects. Such projects include those of the primary government and also grants to non-primary government recipients.

**Keystone Recreation, Park and Conservation Fund** - to account for bond proceeds and a percentage of the state realty transfer tax. The amounts are used to acquire, improve and expand Commonwealth and community parks, recreation facilities, historic sites, zoos, public libraries, nature preserves and wildlife habitats.

**Growing Greener Bond Fund** - to account for the proceeds of bonds issued. The money will be used to finance various environmental projects such as watershed protection, mine drainage remediation, advanced energy, flood protection, brownfields remediation, state parks and forests facilities, open space conservation, farmland preservation and various capital improvement projects including county environmental initiatives.

**Water Supply and Wastewater Treatment Fund** - funding for this program is generated from the \$250 million bond issue approved by the electorate in April of 2004. Funds are allocated to the **Commonwealth Financing Authority** and the Pennsylvania Infrastructure Investment Authority (PENNVEST) to be used for grants and loans for new and existing water supply and wastewater system projects in the Commonwealth.

**Public Transportation Assistance Fund** - This fund was established to help provide for the capital asset maintenance and other transportation needs of the Commonwealth's transit entities. Act 44 of 2007 revised the purpose of this fund by transferring programs to the new Public Transportation Trust Fund.

**Land and Water Development Fund** - to account for the proceeds of bonds issued for pollution remediation; grants to local governments for sewage treatment facilities; the development of public outdoor recreation areas; and, acquisition and development of park and recreation lands and related studies to determine such needs. The fund is not displayed separately, as there was no activity in this fund as of June 30, 2020. There remain bonds authorized but not issued for the fund.

There are a total of six individual capital projects funds; all are reported as nonmajor funds.

**Commonwealth of Pennsylvania**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**

Capital Projects Funds

June 30, 2020

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
<b>ASSETS</b>						
Temporary investments.....	\$ 172,905	\$ 57,823	\$ 6,050	\$ 22,110	\$ 7,075	\$ 265,963
Long-term investments.....	—	160,022	—	—	—	160,022
Receivables (net):						
Taxes.....	—	—	—	—	31,684	31,684
Investment income.....	71	21	2	8	4	106
Due from other funds.....	2,824	5,859	—	—	9,598	18,281
Due from component units.....	1,062	—	—	—	—	1,062
<b>TOTAL ASSETS</b> .....	<b>\$ 176,862</b>	<b>\$ 223,725</b>	<b>\$ 6,052</b>	<b>\$ 22,118</b>	<b>\$ 48,361</b>	<b>\$ 477,118</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities.....	\$ 68,127	\$ 8,240	\$ 887	\$ 11	\$ —	\$ 77,265
Securities lending obligations.....	—	2,467	—	—	—	2,467
Due to other funds.....	10,689	554	—	—	856	12,099
Due to pension trust funds.....	—	6	—	—	—	6
Due to political subdivisions.....	19,131	555	61	—	6,221	25,968
Due to other governments.....	—	2	—	—	—	2
<b>TOTAL LIABILITIES</b> .....	<b>97,947</b>	<b>11,824</b>	<b>948</b>	<b>11</b>	<b>7,077</b>	<b>117,807</b>
<b>Fund balances:</b>						
Committed.....	78,915	211,901	5,104	22,107	41,284	359,311
<b>TOTAL FUND BALANCES</b> .....	<b>78,915</b>	<b>211,901</b>	<b>5,104</b>	<b>22,107</b>	<b>41,284</b>	<b>359,311</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 176,862</b>	<b>\$ 223,725</b>	<b>\$ 6,052</b>	<b>\$ 22,118</b>	<b>\$ 48,361</b>	<b>\$ 477,118</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Capital Projects Funds**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	<b>Capital Facilities</b>	<b>Keystone Recreation, Park and Conservation</b>	<b>Growing Greener Bond</b>	<b>Water Supply and Wastewater Treatment</b>	<b>Public Transportation Assistance</b>	<b>Total</b>
<b>REVENUES:</b>						
Taxes.....	\$ —	\$ 95,541	\$ —	\$ —	\$ 261,359	\$ 356,900
Charges for sales and services.....	3,297	—	—	—	—	3,297
Investment income.....	8,831	9,247	148	405	450	19,081
<b>TOTAL REVENUES</b> .....	<b>12,128</b>	<b>104,788</b>	<b>148</b>	<b>405</b>	<b>261,809</b>	<b>379,278</b>
<b>EXPENDITURES:</b>						
Current:						
Direction and supportive services.....	67,110	—	—	—	—	67,110
Protection of persons and property.....	—	—	421	—	—	421
Public education.....	—	19,314	50	—	—	19,364
Recreation and cultural enrichment.....	—	59,696	669	—	—	60,365
Economic development.....	119,429	—	112	2,136	—	121,677
Transportation.....	78,092	—	—	—	246,747	324,839
Capital outlay.....	226,128	9,538	1,689	—	—	237,355
<b>TOTAL EXPENDITURES</b> .....	<b>490,759</b>	<b>88,548</b>	<b>2,941</b>	<b>2,136</b>	<b>246,747</b>	<b>831,131</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES</b> .....	<b>(478,631)</b>	<b>16,240</b>	<b>(2,793)</b>	<b>(1,731)</b>	<b>15,062</b>	<b>(451,853)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in.....	19,980	17	—	—	—	19,997
Transfers out.....	(101,332)	(9,343)	(1,595)	(3,400)	(23,778)	(139,448)
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(81,352)</b>	<b>(9,326)</b>	<b>(1,595)</b>	<b>(3,400)</b>	<b>(23,778)</b>	<b>(119,451)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(559,983)</b>	<b>6,914</b>	<b>(4,388)</b>	<b>(5,131)</b>	<b>(8,716)</b>	<b>(571,304)</b>
<b>FUND BALANCES, JULY 1, 2019</b> .....	<b>638,898</b>	<b>204,987</b>	<b>9,492</b>	<b>27,238</b>	<b>50,000</b>	<b>930,615</b>
<b>FUND BALANCES, JUNE 30, 2020</b> .....	<b>\$ 78,915</b>	<b>\$ 211,901</b>	<b>\$ 5,104</b>	<b>\$ 22,107</b>	<b>\$ 41,284</b>	<b>\$ 359,311</b>



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Enterprise Funds

**ENTERPRISE FUNDS  
DESCRIPTION  
NONMAJOR FUNDS**

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

***Volunteer Companies Loan Fund*** - to account for and provide low-interest loans for acquisition and replacement of volunteer fire, ambulance and rescue company equipment and facilities.

***Coal and Clay Mine Subsidence Insurance Fund*** - to account for and provide insurance coverage to homeowners in mining areas against damages resulting from mine subsidence.

***Pennsylvania Infrastructure Bank Fund (PIB)*** - to account for and provide low-interest loans to, or enter into leases with, qualified borrowers to finance the costs of transportation projects within Pennsylvania. Acts 165 and 7A of 2004 expanded this program to include financing of rail freight infrastructure. Eligible borrowers include local governments, transportation authorities, economic development agencies, not-for-profit organizations, and private corporations. The interest rate on PIB loans is fixed at one-half the prime lending rate with terms up to 10 years.

***Rehabilitation Center Fund*** - to account for the activities of the Hiram G. Andrews Rehabilitation Center (Center) which offers rehabilitative, educational, vocational, life management, and counseling services, resulting in employment and independence for persons with disabilities. The Center is funded from fees for services rendered.

***Philadelphia Regional Port Authority (PRPA)*** - The PRPA (a blended component unit) operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania. The PRPA charges rental and other fees to port users and obtains funding from the Primary Government. The PRPA also issues revenue bonds to finance its activities.

***Other*** - to account for enterprise operations including activities associated with low interest loans to manufacturers, financial and technical assistance to minority business enterprises, and loans and grants provided to attract industrial, manufacturing or research and development enterprises to the Commonwealth. This other category is an aggregation of five individual enterprise funds.

There are a total of 16 individual enterprise funds. The following funds are reported as Major Funds in the basic financial statements: **Unemployment Compensation Fund, State Workers' Insurance Fund, State Lottery Fund, State Stores Fund, Tuition Payment Fund** and the **Commonwealth Financing Authority** (a blended component unit).

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**Commonwealth of Pennsylvania**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
Enterprise Funds  
June 30, 2020

(Amounts in thousands)	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>ASSETS</b>							
Current assets:							
Cash.....	\$ 324	\$ 139	\$ 96	\$ 88	\$ 32,041	\$ 1	\$ 32,689
Cash with fiscal agents.....	—	—	—	1	—	—	1
Temporary investments.....	12,346	28,838	9,086	2,882	12,904	16,591	82,647
Receivables (net):							
Accounts.....	—	—	—	80	—	13	93
Investment income.....	4	10	1	1	—	5	21
Interest on loans.....	118	—	543	—	—	26	687
Loans.....	9,107	—	15,372	—	—	843	25,322
Lease rentals.....	—	—	—	—	1,139	—	1,139
Other.....	—	—	—	—	3	—	3
Due from other funds.....	—	—	—	1,453	11,425	17	12,895
Due from Federal Government.....	—	—	—	85	—	1	86
Due from other governments.....	—	—	—	—	56	—	56
Advances to other funds.....	6,000	—	25,322	—	—	—	31,322
Inventory.....	—	—	—	—	—	4	4
Prepaid expenses.....	—	—	—	—	781	—	781
Other assets.....	—	—	—	—	1,534	—	1,534
<b>Total current assets.....</b>	<b>27,899</b>	<b>28,987</b>	<b>50,420</b>	<b>4,590</b>	<b>59,883</b>	<b>17,501</b>	<b>189,280</b>
Noncurrent assets:							
Restricted cash.....	—	—	—	—	4,566	—	4,566
Long-term investments.....	39,569	133,061	37,219	—	—	—	209,849
Receivables:							
Loans.....	66,218	—	57,603	—	—	5,423	129,244
Non-depreciable capital assets:							
Land.....	—	—	—	—	236,686	—	236,686
Construction in progress.....	—	—	—	—	38,267	—	38,267
Depreciable or amortizable capital assets:							
Land improvements.....	—	—	—	—	137,454	—	137,454
Buildings and building improvements.....	—	—	—	34,135	474,797	—	508,932
Machinery and equipment.....	—	180	—	3,682	68,441	1,847	74,150
Less: accumulated depreciation and amortization.....	—	(112)	—	(29,327)	(278,030)	(1,795)	(309,264)
Net depreciable or amortizable capital assets.....	—	68	—	8,490	402,662	52	411,272
Other assets.....	—	—	—	—	8,056	—	8,056
<b>Total noncurrent assets.....</b>	<b>105,787</b>	<b>133,129</b>	<b>94,822</b>	<b>8,490</b>	<b>690,237</b>	<b>5,475</b>	<b>1,037,940</b>
<b>TOTAL ASSETS.....</b>	<b>133,686</b>	<b>162,116</b>	<b>145,242</b>	<b>13,080</b>	<b>750,120</b>	<b>22,976</b>	<b>1,227,220</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>\$ —</b>	<b>\$ 1,428</b>	<b>\$ —</b>	<b>\$ 4,139</b>	<b>\$ 3,754</b>	<b>\$ 773</b>	<b>\$ 10,094</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
Enterprise Funds  
June 30, 2020

(Amounts in thousands)	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued liabilities	\$ —	\$ 181	\$ 2	\$ 1,472	\$ 19,770	\$ 371	\$ 21,796
Securities lending obligations	610	2,052	574	—	—	—	3,236
Due to other funds	—	41	—	157	15	778	991
Due to pension trust funds	—	12	—	73	37	2	124
Due to political subdivisions	—	—	—	21	—	—	21
Due to other governments	—	3	—	17	309	1	330
Interest payable	—	—	—	—	75	—	75
Unearned revenue	47	427	9	—	—	—	483
Revenue bonds payable	—	—	—	—	4,528	—	4,528
Self-insurance liabilities	—	9	—	54	38	1	102
Compensated absences	—	82	—	194	142	—	418
Other postemployment benefit liability	—	123	—	897	190	99	1,309
Other liabilities	—	—	—	—	2,509	—	2,509
<b>Total current liabilities</b>	<b>657</b>	<b>2,930</b>	<b>585</b>	<b>2,885</b>	<b>27,613</b>	<b>1,252</b>	<b>35,922</b>
Noncurrent liabilities:							
Insurance loss liability	—	305	—	—	—	—	305
Compensated absences	—	431	—	1,017	748	—	2,196
Self-insurance liabilities	—	80	—	465	322	10	877
Other postemployment benefit liability	—	2,686	—	19,519	6,285	2,161	30,651
Net pension liability	—	3,172	—	20,552	10,459	1,698	35,881
Other liabilities	—	—	—	—	851	—	851
<b>Total noncurrent liabilities</b>	<b>—</b>	<b>6,674</b>	<b>—</b>	<b>41,553</b>	<b>18,665</b>	<b>3,869</b>	<b>70,761</b>
<b>TOTAL LIABILITIES</b>	<b>657</b>	<b>9,604</b>	<b>585</b>	<b>44,438</b>	<b>46,278</b>	<b>5,121</b>	<b>106,683</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>4,002</b>	<b>—</b>	<b>24,076</b>	<b>11,872</b>	<b>2,170</b>	<b>42,120</b>
<b>NET POSITION</b>							
Net investment in capital assets	—	68	—	8,490	677,615	52	686,225
Restricted for:							
Transportation	—	—	144,657	—	—	—	144,657
Capital projects	—	—	—	—	494	—	494
Debt service	—	—	—	—	4,240	—	4,240
Economic development	—	—	—	—	13,367	6,513	19,880
Emergency support	133,029	—	—	—	—	—	133,029
Other purposes	—	149,870	—	—	8	9,893	159,771
Unrestricted	—	—	—	(59,785)	—	—	(59,785)
<b>TOTAL NET POSITION</b>	<b>\$ 133,029</b>	<b>\$ 149,938</b>	<b>\$ 144,657</b>	<b>\$ (51,295)</b>	<b>\$ 695,724</b>	<b>\$ 16,458</b>	<b>\$ 1,088,511</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>OPERATING REVENUES:</b>							
Sales and services.....	\$ —	\$ 6,793	\$ 13	\$ 141	\$ 17,554	\$ 1,586	\$ 26,087
Interest on loans.....	1,198	—	1,332	—	—	37	2,567
Other.....	—	—	—	3,424	417	40	3,881
<b>OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS.....</b>							
	1,198	6,793	1,345	3,565	17,971	1,663	32,535
Provision for uncollectible accounts.....	(24)	—	89	—	—	543	608
<b>NET OPERATING REVENUES.....</b>	<b>1,174</b>	<b>6,793</b>	<b>1,434</b>	<b>3,565</b>	<b>17,971</b>	<b>2,206</b>	<b>33,143</b>
<b>OPERATING EXPENSES:</b>							
Cost of sales and services.....	250	1,808	12	—	11,928	2,349	16,347
Depreciation.....	—	14	—	458	28,097	10	28,579
Other.....	—	—	—	—	5,482	—	5,482
<b>TOTAL OPERATING EXPENSES.....</b>	<b>250</b>	<b>1,822</b>	<b>12</b>	<b>458</b>	<b>45,507</b>	<b>2,359</b>	<b>50,408</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>924</b>	<b>4,971</b>	<b>1,422</b>	<b>3,107</b>	<b>(27,536)</b>	<b>(153)</b>	<b>(17,265)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Investment income.....	2,409	7,343	2,075	58	227	293	12,405
Grants and other revenues.....	2	—	—	1,381	167	100	1,650
Other expenses.....	—	—	—	—	(4,405)	—	(4,405)
<b>TOTAL NONOPERATING REVENUES (EXPENSES).....</b>	<b>2,411</b>	<b>7,343</b>	<b>2,075</b>	<b>1,439</b>	<b>(4,011)</b>	<b>393</b>	<b>9,650</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>3,335</b>	<b>12,314</b>	<b>3,497</b>	<b>4,546</b>	<b>(31,547)</b>	<b>240</b>	<b>(7,615)</b>
<b>TRANSFERS AND CONTRIBUTIONS:</b>							
Capital contributions.....	—	—	—	—	14,398	—	14,398
Transfers in.....	—	—	—	—	77,692	3	77,695
Transfers out.....	(5,000)	—	—	—	—	—	(5,000)
<b>TRANSFERS AND CONTRIBUTIONS, NET.....</b>	<b>(5,000)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>92,090</b>	<b>3</b>	<b>87,093</b>
<b>CHANGE IN NET POSITION.....</b>	<b>(1,665)</b>	<b>12,314</b>	<b>3,497</b>	<b>4,546</b>	<b>60,543</b>	<b>243</b>	<b>79,478</b>
<b>TOTAL NET POSITION, JULY 1, 2019.....</b>	<b>134,694</b>	<b>137,624</b>	<b>141,160</b>	<b>(55,841)</b>	<b>635,181</b>	<b>16,215</b>	<b>1,009,033</b>
<b>TOTAL NET POSITION, JUNE 30, 2020.....</b>	<b>\$ 133,029</b>	<b>\$ 149,938</b>	<b>\$ 144,657</b>	<b>\$ (51,295)</b>	<b>\$ 695,724</b>	<b>\$ 16,458</b>	<b>\$ 1,088,511</b>

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**Commonwealth of Pennsylvania**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Enterprise Funds**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers and participants	\$ —	\$ —	\$ —	\$ 164	\$ 18,946	\$ 2,691	\$ 21,801
Receipts from borrowers for fees and loan repayments	11,147	—	21,538	—	—	(967)	31,718
Receipt of premiums	—	6,818	—	—	—	—	6,818
Payments to borrowers	(12,014)	—	(17,218)	—	—	—	(29,232)
Payments for vendors, employees and other costs	(250)	(3,812)	(12)	(3,661)	(13,123)	(3,176)	(24,034)
Other receipts	—	—	—	—	—	42	42
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(1,117)</b>	<b>3,006</b>	<b>4,308</b>	<b>(3,497)</b>	<b>5,823</b>	<b>(1,410)</b>	<b>7,113</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>							
Net advances from (to) other funds	(6,000)	—	(3,027)	—	—	—	(9,027)
Transfers in	—	—	—	—	69	3	72
Transfers out	(5,000)	—	—	—	—	—	(5,000)
Grants and other revenues	2	—	—	1,365	157	99	1,623
Bond issuance costs	—	—	—	—	(782)	—	(782)
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(10,998)</b>	<b>—</b>	<b>(3,027)</b>	<b>1,365</b>	<b>(556)</b>	<b>102</b>	<b>(13,114)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	—	(6)	—	—	(107,347)	—	(107,353)
Principal payments on other capital debt	—	—	—	—	(4,275)	—	(4,275)
Interest payments on other capital debt	—	—	—	—	(332)	—	(332)
Transfers in	—	—	—	—	66,829	—	66,829
Reimbursement of expenses from other funds	—	—	—	—	4,536	—	4,536
Capital contributions	—	—	—	—	14,398	—	14,398
Maintenance payments	—	—	—	—	(4,438)	—	(4,438)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>—</b>	<b>(6)</b>	<b>—</b>	<b>—</b>	<b>(30,629)</b>	<b>—</b>	<b>(30,635)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Purchase of investments	(9,995)	(9,972)	(28,488)	(15,939)	(9,613)	(4,575)	(78,582)
Sales and maturities of investments	20,835	3,185	24,834	17,994	6,956	5,554	79,358
Investment income	1,367	3,727	1,992	68	227	323	7,704
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>12,207</b>	<b>(3,060)</b>	<b>(1,662)</b>	<b>2,123</b>	<b>(2,430)</b>	<b>1,302</b>	<b>8,480</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>92</b>	<b>(60)</b>	<b>(381)</b>	<b>(9)</b>	<b>(27,792)</b>	<b>(6)</b>	<b>(28,156)</b>
<b>CASH AT JULY 1, 2019</b>	<b>232</b>	<b>199</b>	<b>477</b>	<b>98</b>	<b>64,399</b>	<b>7</b>	<b>65,412</b>
<b>CASH AT JUNE 30, 2020 (including \$4,566 in restricted assets)</b>	<b>\$ 324</b>	<b>\$ 139</b>	<b>\$ 96</b>	<b>\$ 89</b>	<b>\$ 36,607</b>	<b>\$ 1</b>	<b>\$ 37,256</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Enterprise Funds**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>							
Operating income (loss).....	\$ 924	\$ 4,971	\$ 1,422	\$ 3,107	\$ (27,536)	\$ (153)	(17,265)
Depreciation and amortization of capital assets.....	—	14	—	458	28,097	10	28,579
Amortization of other assets.....	—	—	—	—	5,482	—	5,482
Provision for uncollectible accounts.....	24	—	(89)	—	—	(543)	(608)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:							
Accounts receivable.....	200	—	—	23	—	1	224
Interest on loans receivable.....	1	—	15	—	—	9	25
Loans receivable.....	(880)	—	(2,723)	—	—	(1,019)	(4,622)
Lease rental receivable.....	—	—	—	—	104	—	104
Due from other funds.....	—	—	5,705	239	—	1,111	7,055
Due from other governments.....	—	—	—	—	3	—	3
Other current and noncurrent assets.....	—	—	—	—	(907)	—	(907)
Deferred outflows.....	—	820	—	2,600	336	445	4,201
Accounts payable and accrued liabilities.....	(1,370)	(177)	2	270	(67)	(157)	(1,499)
Due to other funds.....	—	29	—	(177)	—	749	601
Due to pension trust funds.....	—	5	—	22	—	(5)	22
Due to political subdivisions.....	—	—	—	(1)	—	—	(1)
Due to other governments.....	—	1	—	5	—	—	6
Unearned revenue.....	(16)	25	(24)	—	—	—	(15)
Self-insurance liabilities.....	—	(34)	—	(272)	(8)	(163)	(477)
Compensated absences.....	—	48	—	98	126	(179)	93
Insurance loss liability.....	—	(93)	—	—	—	—	(93)
Other postemployment benefit liability.....	—	(2,179)	—	(11,129)	(2,948)	(853)	(17,109)
Net pension liability.....	—	(2,096)	—	(7,198)	(951)	(1,385)	(11,630)
Other current and noncurrent liabilities.....	—	—	—	—	1,427	—	1,427
Deferred inflows.....	—	1,672	—	8,458	2,665	722	13,517
<b>Total Adjustments</b> .....	<b>(2,041)</b>	<b>(1,965)</b>	<b>2,886</b>	<b>(6,604)</b>	<b>33,359</b>	<b>(1,257)</b>	<b>24,378</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b> .....	<b>\$ (1,117)</b>	<b>\$ 3,006</b>	<b>\$ 4,308</b>	<b>\$ (3,497)</b>	<b>\$ 5,823</b>	<b>\$ (1,410)</b>	<b>\$ 7,113</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>							
Increase in fair value of investments during the fiscal year.....	\$ 1,087	\$ 3,654	\$ 88	\$ —	\$ —	\$ —	4,829
Decrease in investment income receivable.....	(45)	(37)	(4)	(10)	—	(31)	(127)
Increase in investments from changes in securities lending obligations.....	362	1,218	315	—	—	—	1,895
Disposals of capital assets.....	—	—	—	—	(8,976)	—	(8,976)
Amortization of bond premium/discount (net).....	—	—	—	—	(263)	—	(263)
Transfers from other funds (accruals).....	—	—	—	—	11,350	—	11,350

There were no other material investing, capital or financing activities that did not result in cash receipts or cash payments during the fiscal year.

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Internal Service Funds

**INTERNAL SERVICE FUNDS  
DESCRIPTION**

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Commonwealth, or to other governmental units, on a cost-reimbursement basis.

**Purchasing Fund** - to account for the purchase of materials, supplies, services and equipment by the Department of General Services for the sale or lease to other Commonwealth departments, boards and commissions. This fund is also used to account for all Commonwealth telecommunication activities, which are accounted for by the Governor's Executive Offices. Revenue is derived from reimbursements from Commonwealth departments, boards and commissions that use Fund services or products.

**Manufacturing Fund** - to account for the manufacture and sale of goods and services by inmates in the correctional institutions to the Department of Corrections, other government agencies, and government-aided organizations.

There are a total of two individual internal service funds.

**Commonwealth of Pennsylvania**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**Internal Service Funds**  
June 30, 2020

(Amounts in thousands)	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash.....	\$ 1,559	\$ 573	\$ 2,132
Temporary investments.....	5,641	13,972	19,613
Receivables (net):			
Accounts.....	17	446	463
Investment income.....	2	5	7
Due from other funds.....	27,009	4,423	31,432
Due from pension trust funds.....	52	4,257	4,309
Due from component units.....	94	1	95
Due from political subdivisions.....	—	624	624
Due from other governments.....	—	7	7
Inventory.....	44	13,919	13,963
Total current assets.....	<u>34,418</u>	<u>38,227</u>	<u>72,645</u>
Noncurrent assets:			
Long-term investments.....	—	25,722	25,722
Depreciable capital assets:			
Land improvements.....	192	—	192
Buildings and building improvements.....	85	6,253	6,338
Machinery and equipment.....	96,111	41,207	137,318
Less: accumulated depreciation.....	(69,506)	(27,477)	(96,983)
Net depreciable capital assets.....	<u>26,882</u>	<u>19,983</u>	<u>46,865</u>
Total noncurrent assets.....	<u>26,882</u>	<u>45,705</u>	<u>72,587</u>
<b>TOTAL ASSETS</b> .....	<u>61,300</u>	<u>83,932</u>	<u>145,232</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<u>5,058</u>	<u>6,669</u>	<u>11,727</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities.....	33,989	5,063	39,052
Securities lending obligations.....	—	397	397
Due to other funds.....	4,722	381	5,103
Due to pension trust funds.....	103	208	311
Due to component units.....	2	—	2
Due to political subdivisions.....	3	4	7
Due to other governments.....	23	43	66
Capital lease/installment purchase obligations.....	658	—	658
Self-insurance liabilities.....	107	340	447
Compensated absences.....	153	336	489
Other postemployment benefit liability.....	729	969	1,698
Total current liabilities.....	<u>40,489</u>	<u>7,741</u>	<u>48,230</u>
Noncurrent liabilities:			
Installment purchase.....	791	—	791
Compensated absences.....	802	1,765	2,567
Self-insurance liabilities.....	918	2,918	3,836
Other postemployment benefit liability.....	15,868	21,090	36,958
Net pension liability.....	18,176	36,986	55,162
Total noncurrent liabilities.....	<u>36,555</u>	<u>62,759</u>	<u>99,314</u>
<b>TOTAL LIABILITIES</b> .....	<u>77,044</u>	<u>70,500</u>	<u>147,544</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>16,386</u>	<u>23,710</u>	<u>40,096</u>
<b>NET POSITION</b>			
Net investment in capital assets.....	25,433	19,983	45,416
Unrestricted.....	(52,505)	(23,592)	(76,097)
<b>TOTAL NET POSITION</b> .....	<u>\$ (27,072)</u>	<u>\$ (3,609)</u>	<u>\$ (30,681)</u>

**Commonwealth of Pennsylvania**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
Internal Service Funds

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)	Purchasing	Manufacturing	Total
<b>OPERATING REVENUES:</b>			
Sales and services .....	\$ 24,298	\$ 79,224	\$ 103,522
<b>NET OPERATING REVENUES</b> .....	<u>24,298</u>	<u>79,224</u>	<u>103,522</u>
<b>OPERATING EXPENSES:</b>			
Cost of sales and services .....	9,320	72,060	81,380
Depreciation .....	12,600	2,291	14,891
<b>TOTAL OPERATING EXPENSES</b> .....	<u>21,920</u>	<u>74,351</u>	<u>96,271</u>
<b>OPERATING INCOME</b> .....	<u>2,378</u>	<u>4,873</u>	<u>7,251</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income .....	61	1,589	1,650
Interest expense .....	(61)	—	(61)
Other expenses .....	(13)	—	(13)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<u>(13)</u>	<u>1,589</u>	<u>1,576</u>
<b>CHANGE IN NET POSITION</b> .....	<u>2,365</u>	<u>6,462</u>	<u>8,827</u>
<b>TOTAL NET POSITION, JULY 1, 2019</b> .....	<u>(29,437)</u>	<u>(10,071)</u>	<u>(39,508)</u>
<b>TOTAL NET POSITION, JUNE 30, 2020</b> .....	<u>\$ (27,072)</u>	<u>\$ (3,609)</u>	<u>\$ (30,681)</u>

**Commonwealth of Pennsylvania**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Internal Service Funds**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Purchasing	Manufacturing	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers.....	\$ 27,751	\$ 81,358	\$ 109,109
Payments for vendors, employees and other costs.....	(14,478)	(79,976)	(94,454)
Other receipts.....	213	—	213
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> .....	<b>13,486</b>	<b>1,382</b>	<b>14,868</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets.....	(12,228)	(631)	(12,859)
Proceeds from disposal of capital assets.....	2,258	—	2,258
Capital lease/installment purchase payments.....	(869)	—	(869)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b> .....	<b>(10,839)</b>	<b>(631)</b>	<b>(11,470)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments.....	(244,318)	(54,454)	(298,772)
Sales and maturities of investments.....	242,038	52,848	294,886
Investment income.....	66	900	966
<b>NET CASH USED FOR INVESTING ACTIVITIES</b> .....	<b>(2,214)</b>	<b>(706)</b>	<b>(2,920)</b>
<b>NET INCREASE IN CASH</b> .....	<b>433</b>	<b>45</b>	<b>478</b>
<b>CASH AT JULY 1, 2019</b> .....	<b>1,126</b>	<b>528</b>	<b>1,654</b>
<b>CASH AT JUNE 30, 2020</b> .....	<b>\$ 1,559</b>	<b>\$ 573</b>	<b>\$ 2,132</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>			
<b>CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Operating Income.....	\$ 2,378	\$ 4,873	\$ 7,251
Depreciation and amortization of capital assets.....	12,600	2,291	14,891
Other adjustments.....	(2,258)	—	(2,258)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:			
Accounts receivable.....	51	(4)	47
Due from other funds.....	4,384	(83)	4,301
Due from pension trust funds.....	1,541	(913)	628
Due from component units.....	(52)	5	(47)
Due from political subdivisions.....	—	(590)	(590)
Due from other governments.....	—	(7)	(7)
Inventory.....	(7)	312	305
Deferred outflows.....	559	3,414	3,973
Accounts payable and accrued liabilities.....	(7,039)	97	(6,942)
Due to other funds.....	2,939	(83)	2,856
Due to pension trust funds.....	23	34	57
Due to component units.....	2	—	2
Due to political subdivisions.....	1	—	1
Due to other governments.....	5	7	12
Self insurance liabilities.....	134	(403)	(269)
Compensated absences.....	48	87	135
Other postemployment benefit liability.....	(6,106)	(8,898)	(15,004)
Net pension liability.....	(1,612)	(6,812)	(8,424)
Deferred inflows.....	5,895	8,055	13,950
<b>Total Adjustments</b> .....	<b>11,108</b>	<b>(3,491)</b>	<b>7,617</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> .....	<b>\$ 13,486</b>	<b>\$ 1,382</b>	<b>\$ 14,868</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Increase in fair value of investments during the fiscal year.....	\$ —	\$ 706	\$ 706
Decrease in investment income receivable.....	(5)	(18)	(23)
Decrease in investments from changes in securities lending obligations.....	—	236	236
Disposals of capital assets.....	(766)	(1,582)	(2,348)

There were no other material investing, capital or financing activities that did not result in cash receipts or cash payments during the fiscal year.

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Pension (and Other Employee Benefit) Trust Funds

## **PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS DESCRIPTION**

Pension (and other employee benefit) trust funds account for assets that are required to be held in trust for the members and beneficiaries of defined benefit pension plans and other postemployment benefit plans and are held by the Commonwealth in a trustee capacity.

### **PENSION TRUST FUNDS**

**State Employees' Retirement System (SERS)-Pension** - a defined benefit pension trust fund administered by the SERS that provides retirement, disability, and death benefits to members of the SERS and their beneficiaries.

**State Employees' Retirement System-Defined Contribution** - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the SERS to provide defined contribution retirement benefits to new members of the SERS effective January 1, 2019.

**Deferred Compensation Fund** - a pension trust fund administered by the SERS that collects and administers amounts contributed by Commonwealth employees who defer a portion of their income until future years, in accordance with Internal Revenue Code Section 457.

**Public School Employees' Retirement System (PSERS)-Pension** - a defined benefit pension trust fund administered by the PSERS that provides pension benefits to public school employees in Pennsylvania.

**Public School Employees' Retirement System-Defined Contribution** - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the PSERS to provide defined contribution retirement benefits to new public school employees effective July 1, 2019.

### **OTHER EMPLOYEE BENEFIT TRUST FUNDS**

**Public School Employees' Retirement System-Postemployment Healthcare** - an employee benefit trust fund administered by the PSERS that provides healthcare, disability, and death benefits to members and their beneficiaries.

**Other Postemployment Benefits (REHP)** - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired employees.

**Other Postemployment Benefits (RPSP)** - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired Pennsylvania State Police.

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**Commonwealth of Pennsylvania**  
**Combining Statement of Fiduciary Net Position**  
Pension (and Other Employee Benefit) Trust Funds  
June 30, 2020

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2019)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined Contribution	Deferred Compensation	Pension	Defined Contribution	Postemployment Healthcare	Retired Employees Health Program	Retired Pennsylvania State Police Program	
<b>ASSETS</b>									
Cash.....	\$ —	\$ —	\$ 7,644	\$ 108,101	\$ —	\$ 222,760	\$ —	\$ —	\$ 338,505
Temporary investments.....	—	4,210	2,710	—	—	—	86,193	19,841	112,954
Long-term investments.....	—	—	126,730	—	—	—	482,914	111,162	720,806
Short-term funds.....	1,661,824	224	81,332	5,713,063	6,933	188,682	—	—	7,652,058
Corporate obligations.....	827,058	—	—	4,851,309	—	—	—	—	5,678,367
Collective trust funds.....	559,587	8,048	1,563,701	13,160,891	14,632	—	—	—	15,306,859
Real estate.....	2,114,407	—	—	5,478,122	—	—	—	—	7,592,529
Alternative.....	5,198,468	—	—	13,448,551	—	—	—	—	18,647,019
Securities lending collateral.....	137,604	—	—	4,491,237	—	—	—	—	4,628,841
Asset-backed securities.....	626,387	—	—	1,100,465	—	—	—	—	1,726,852
Domestic equities.....	16,097,959	576	1,863,591	4,782,678	—	—	—	—	22,744,804
International equities.....	1,178,029	232	243,724	4,974,091	—	—	—	—	6,396,076
International public debt securities.....	231,729	—	—	234,983	—	—	—	—	466,712
Mortgage-backed securities.....	—	—	—	359,994	—	—	—	—	359,994
Private placements.....	574,845	—	—	—	—	—	—	—	574,845
U.S. Treasury obligations.....	2,104,363	—	—	3,128,446	—	—	—	—	5,232,809
U.S. government agency debt securities.....	22,680	—	—	—	—	—	—	—	22,680
Receivables (net):									
Investment income.....	63,855	7	208	479,075	3	106	—	—	543,254
Interest on notes and loans.....	—	—	—	—	—	—	726	167	893
Pension contributions.....	—	—	7,589	1,697,748	458	36,100	—	—	1,741,895
Investment sale proceeds.....	247,834	—	—	295,153	—	—	—	—	542,987
Other.....	1,693	50	128	216	—	36,525	—	—	38,612
Due from other funds.....	21,061	—	—	7,215	—	181	—	—	28,457
Due from pension trust funds.....	—	—	—	801	—	—	—	—	801
Due from component units.....	70,584	—	—	—	—	—	—	—	70,584
Due from political subdivisions.....	16,175	—	—	—	—	—	—	—	16,175
Due from other governments.....	—	—	—	—	—	41,789	—	—	41,789
Depreciable or amortizable capital assets:									
Machinery and equipment.....	—	—	—	13,038	—	—	—	—	13,038
Intangible assets.....	—	—	—	43,408	—	—	—	—	43,408
Less: accumulated depreciation and amortization.....	—	—	—	(37,263)	—	—	—	—	(37,263)
Net depreciable or amortizable capital assets.....	—	—	—	19,183	—	—	—	—	19,183
<b>TOTAL ASSETS.....</b>	<b>31,756,142</b>	<b>13,347</b>	<b>3,897,357</b>	<b>64,331,322</b>	<b>22,026</b>	<b>526,143</b>	<b>569,833</b>	<b>131,170</b>	<b>101,247,340</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>\$ 3,122</b>	<b>\$ 667</b>	<b>\$ —</b>	<b>\$ 22,172</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 25,961</b>

**Commonwealth of Pennsylvania**

**Combining Statement of Fiduciary Net Position**

Pension (and Other Employee Benefit) Trust Funds

June 30, 2020

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2019)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired Employees Health Program	Retired Pennsylvania State Police Program	
		Contribution	Compensation		Contribution	Healthcare			
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities .....	\$ 52,995	\$ 882	\$ 1,635	\$ 117,898	\$ 124	\$ 3,206	\$ 14,587	\$ 4,784	\$ 196,111
Investment purchases payable .....	427,464	28	—	440,563	195	—	—	—	868,250
Securities lending obligations .....	137,604	—	—	4,491,237	—	—	86,193	19,841	4,734,875
Due to other funds .....	—	—	15	52	—	—	—	—	67
Due to pension trust funds .....	—	—	420	874	346	—	—	—	1,640
Other postemployment benefit liability .....	23,229	375	—	42,144	—	—	—	—	65,748
Net pension liability .....	—	—	—	70,214	—	—	—	—	70,214
Other liabilities .....	—	—	—	590,838	—	71,298	—	—	662,136
<b>TOTAL LIABILITIES</b> .....	<b>641,292</b>	<b>1,285</b>	<b>2,070</b>	<b>5,753,820</b>	<b>665</b>	<b>74,504</b>	<b>100,780</b>	<b>24,625</b>	<b>6,599,041</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>21,653</b>	<b>332</b>	<b>—</b>	<b>42,888</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>64,873</b>
<b>NET POSITION</b>									
Restricted and held in trust for:									
Pension benefits .....	31,096,319	12,397	—	58,556,786	21,361	—	—	—	89,686,863
Postemployment healthcare benefits .....	—	—	—	—	—	451,639	469,053	106,545	1,027,237
Employee salary deferrals .....	—	—	3,895,287	—	—	—	—	—	3,895,287
<b>TOTAL NET POSITION</b> .....	<b>\$ 31,096,319</b>	<b>\$ 12,397</b>	<b>\$ 3,895,287</b>	<b>\$ 58,556,786</b>	<b>\$ 21,361</b>	<b>\$ 451,639</b>	<b>\$ 469,053</b>	<b>\$ 106,545</b>	<b>\$ 94,609,387</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Changes in Fiduciary Net Position**  
Pension (and Other Employee Benefit) Trust Funds  
For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2019)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired Employees Health Program	Retired Pennsylvania State Police Program	
		Contribution	Compensation		Contribution	Healthcare			
<b>ADDITIONS:</b>									
Contributions:									
Pension:									
Employer .....	\$ 2,114,882	\$ 2,836	\$ —	\$ 4,676,413	\$ 6,586	\$ 199,155	\$ 415,137	\$ 141,449	\$ 7,556,458
Employee .....	404,769	6,124	155,626	1,067,957	8,343	390,883	—	—	2,033,702
Transfer in from other plans .....	—	3,852	62,141	—	—	—	50,000	1,000	116,993
Total contributions .....	2,519,651	12,812	217,767	5,744,370	14,929	590,038	465,137	142,449	9,707,153
Investment income:									
Net increase/(decrease) in									
fair value of investments .....	4,901,079	578	604,352	261,316	541	7	(6,927)	(3,029)	5,757,917
Interest income .....	162,152	97	12,847	591,101	144	4,281	103	45	770,770
Dividend income .....	182,853	—	—	277,635	—	—	9,697	4,240	474,425
Rental and other income .....	106,552	—	—	371,652	—	—	184	80	478,468
Total investment activity income .....	5,352,636	675	617,199	1,501,704	685	4,288	3,057	1,336	7,481,580
Less: investment expenses									
Investment activity expense .....	(179,344)	(2)	(1,263)	(515,160)	(30)	(72)	—	—	(695,871)
Net investment earnings .....	5,173,292	673	615,936	986,544	655	4,216	3,057	1,336	6,785,709
Securities lending activities:									
Income .....	2,587	—	—	83,746	—	—	—	—	86,333
Expenses .....	(255)	—	—	(68,444)	—	—	—	—	(68,699)
Total securities lending income .....	2,332	—	—	15,302	—	—	—	—	17,634
Total net investment income .....	5,175,624	673	615,936	1,001,846	655	4,216	3,057	1,336	6,803,343
<b>TOTAL ADDITIONS</b> .....	7,695,275	13,485	833,703	6,746,216	15,584	594,254	468,194	143,785	16,510,496
<b>DEDUCTIONS:</b>									
Benefit payments .....	3,490,311	—	112,111	6,849,052	—	488,671	400,278	137,145	11,477,568
Refunds of contributions .....	22,360	—	—	27,463	12	—	—	—	49,835
Transfers to other plans .....	—	20	148,087	—	—	—	—	—	148,107
Administrative expenses .....	23,275	5,185	640	46,799	3,167	46,321	6,344	837	132,568
Other expenses .....	—	—	4,641	—	—	—	—	—	4,641
Distributions to participants .....	—	52	—	—	—	—	—	—	52
<b>TOTAL DEDUCTIONS</b> .....	3,535,946	5,257	265,479	6,923,314	3,179	534,992	406,622	137,982	11,812,771
<b>CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:</b>									
Pension benefits .....	4,159,329	8,228	—	(177,098)	12,405	—	—	—	4,002,864
Postemployment healthcare benefits .....	—	—	—	—	—	59,262	61,572	5,803	126,637
Employee salary deferrals .....	—	—	568,224	—	—	—	—	—	568,224
<b>TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST</b> .....	4,159,329	8,228	568,224	(177,098)	12,405	59,262	61,572	5,803	4,697,725
<b>NET POSITION, JULY 1, 2019</b> .....	26,936,990	4,169	3,327,063	58,733,884	8,956	392,377	407,481	100,742	89,911,662
<b>NET POSITION, JUNE 30, 2020</b> .....	\$ 31,096,319	\$ 12,397	\$ 3,895,287	\$ 58,556,786	\$ 21,361	\$ 451,639	\$ 469,053	\$ 106,545	\$ 94,609,387



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Custodial Funds

## CUSTODIAL FUNDS DESCRIPTION

Custodial funds account for assets held by the Commonwealth as an agent for individuals, private organizations, or other governmental units.

**Statutory Liquidator Fund** - to convert the remaining assets of insolvent insurance companies to cash for remittance to creditors, policyholders, and stockholders in accordance with the order of distribution established in Article V of the Pennsylvania Insurance Department Act of 1921 and on a court approved percentage of claim basis. Although not yet determined, the actual amounts to be paid based on the amount of the remaining assets are expected to be less than the amounts actually claimed by creditors, policyholders, and stockholders.

**Local Sales and Use Tax Fund** - to collect an additional sales tax remitted by first business entities of first class cities in Pennsylvania to the Department of Revenue, as established per Act 6 of 1991. On a monthly basis, the Treasury Department distributes the fund balance to qualified city taxing authorities in accordance with the requirements of the Act.

**PA Intergovernmental Cooperation Authority Tax** - to collect an income tax imposed on residents of first class cities in Pennsylvania, as established per Act 6 of 1991. On a weekly basis, the Treasury Department distributes the fund balance to the PA Intergovernmental Cooperation Authority.

**Tuition Account Investment Program** - provides for the advanced purchase of tuition credits for beneficiaries who will attend institutions of higher learning. Contributors enter into a Tuition Account Program Investment contract that authorizes the Treasury to invest funds to pay for future tuition expenses.

**Allegheny Regional Asset District Sales and Use Tax Fund** - to collect an additional sales tax remitted by Allegheny County business entities to the Department of Revenue, as established per Act 1993-77. On a monthly basis, the Treasury Department distributes the fund balance to qualified County entities in accordance with the requirements of the Act.

**Local Cigarette Tax Fund** - to collect a local cigarette tax imposed by school districts within the first class cities of Pennsylvania at a rate of \$0.10 per cigarette as authorized by Act 131 of 2014. On a monthly basis, the Treasury Department distributes the fund balance to the school districts in accordance with the requirements of the Act.

**Monetary Penalty Endowments Trust** - accounts for monetary penalties assessed to higher education institutions. Fund expenditures are made by the Pennsylvania Commission on Crime and Delinquency to support abuse treatment and prevention programs within the Commonwealth.

**Custodial Accounts** - to account for the assets of patients, residents, inmates and other non-Commonwealth funds for which the Commonwealth is the account custodian.

There are a total of eight individual custodial funds.

**Commonwealth of Pennsylvania**  
**Combining Statement of Fiduciary Net Position**  
**Custodial Funds**

June 30, 2020

(Amounts in thousands)

	Statutory Liquidator	Local Sales and Use Tax	PA Intergovernmental Cooperation Authority Tax	Tuition Account Investment Program	Allegheny Regional Asset District Sales and Use Tax	Local Cigarette Tax	Monetary Penalty Endowment	Custodial Accounts	Total Custodial Funds
<b>ASSETS</b>									
Cash.....	\$ —	\$ 179	\$ —	\$ 4,627	\$ 118	\$ —	\$ —	\$ 14,617	\$ 19,541
Cash with fiscal agents.....	10,045	—	—	—	—	—	—	—	10,045
Temporary investments.....	401,748	24,370	11,507	—	15,431	2,730	835	29,338	485,959
Long-term investments.....	112,156	—	—	3,395,323	—	—	51,450	—	3,558,929
Receivables (net):									
Taxes.....	—	50,319	—	—	33,701	23,722	—	—	107,742
Accounts.....	4,283	37	—	375	—	—	—	5,369	10,064
Investment income.....	1,170	4	4	—	3	1	—	—	1,182
Other assets.....	432,730	—	—	—	—	—	—	908	433,638
<b>TOTAL ASSETS</b> .....	<b>962,132</b>	<b>74,909</b>	<b>11,511</b>	<b>3,400,325</b>	<b>49,253</b>	<b>26,453</b>	<b>52,285</b>	<b>50,232</b>	<b>4,627,100</b>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities.....	4,441	2,884	—	2,204	430	29	407	20,019	30,414
Investment purchases payable.....	—	—	—	653	—	—	—	—	653
Securities lending obligations.....	—	—	—	—	—	—	793	—	793
Due to political subdivisions.....	—	72,025	11,511	—	48,823	26,424	222	—	159,005
Other liabilities.....	46,541	—	—	—	—	—	—	—	46,541
<b>TOTAL LIABILITIES</b> .....	<b>50,982</b>	<b>74,909</b>	<b>11,511</b>	<b>2,857</b>	<b>49,253</b>	<b>26,453</b>	<b>1,422</b>	<b>20,019</b>	<b>237,406</b>
<b>NET POSITION</b>									
Restricted for:									
Tuition Account Investment Program participants.....	—	—	—	3,397,468	—	—	—	—	3,397,468
Beneficiaries.....	911,150	—	—	—	—	—	50,863	30,213	992,226
<b>TOTAL NET POSITION</b> .....	<b>\$ 911,150</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,397,468</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 50,863</b>	<b>\$ 30,213</b>	<b>\$ 4,389,694</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**

For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Statutory Liquidator	Local Sales and Use Tax	PA Intergovernmental Cooperation Authority Tax	Tuition Account Investment Program	Allegheny Regional Asset District Sales and Use Tax	Local Cigarette Tax	Monetary Penalty Endowment	Custodial Accounts	Total Custodial Funds
<b>ADDITIONS:</b>									
Investment earnings:									
Net increase in fair value of investments .....	\$ —	\$ —	\$ —	\$ 54,936	\$ —	\$ —	\$ —	\$ —	\$ 54,936
Interest income .....	31,443	294	199	91,893	176	77	2,742	379	127,203
Total investment activity income .....	31,443	294	199	146,829	176	77	2,742	379	182,139
Less investment expenses:									
Investment activity expense .....	(937)	—	—	—	—	—	—	(5)	(942)
Net investment earnings .....	30,506	294	199	146,829	176	77	2,742	374	181,197
Share transactions (at net asset value of \$1.00 per share):									
Shares purchased/redeemed (net) .....	—	—	—	187,005	—	—	—	—	187,005
Net increase in net position from share transactions ..	—	—	—	187,005	—	—	—	—	187,005
Tax collections for other governments .....	—	319,628	527,498	—	200,560	58,033	—	—	1,105,719
Member resources .....	—	—	—	—	—	—	—	92,037	92,037
Other additions .....	24,157	—	—	—	—	—	—	8,325	32,482
<b>TOTAL ADDITIONS</b> .....	<b>54,663</b>	<b>319,922</b>	<b>527,697</b>	<b>333,834</b>	<b>200,736</b>	<b>58,110</b>	<b>2,742</b>	<b>100,736</b>	<b>1,598,440</b>
<b>DEDUCTIONS:</b>									
Administrative expenses .....	33,805	—	—	6,284	—	—	—	5,839	45,928
Payments of taxes to other governments .....	—	319,922	527,697	—	200,736	58,110	—	—	1,106,465
Member/claimant distributions .....	541,279	—	—	—	—	—	—	86,522	627,801
Other expenses .....	20,674	—	—	—	—	—	2,336	6,913	29,923
<b>TOTAL DEDUCTIONS</b> .....	<b>595,758</b>	<b>319,922</b>	<b>527,697</b>	<b>6,284</b>	<b>200,736</b>	<b>58,110</b>	<b>2,336</b>	<b>99,274</b>	<b>1,810,117</b>
<b>CHANGE IN FIDUCIARY NET POSITION:</b>									
Tuition Account Investment Program participants .....	—	—	—	327,550	—	—	—	—	327,550
Beneficiaries .....	(541,095)	—	—	—	—	—	406	1,462	(539,227)
<b>TOTAL CHANGE IN FIDUCIARY NET POSITION</b> .....	<b>(541,095)</b>	<b>—</b>	<b>—</b>	<b>327,550</b>	<b>—</b>	<b>—</b>	<b>406</b>	<b>1,462</b>	<b>(211,677)</b>
<b>NET POSITION, JULY 1, 2019 (restated)</b> .....	<b>1,452,245</b>	<b>—</b>	<b>—</b>	<b>3,069,918</b>	<b>—</b>	<b>—</b>	<b>50,457</b>	<b>28,751</b>	<b>4,601,371</b>
<b>NET POSITION, JUNE 30, 2020</b> .....	<b>\$ 911,150</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,397,468</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 50,863</b>	<b>\$ 30,213</b>	<b>\$ 4,389,694</b>



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Discretely Presented Component Units

**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS  
DESCRIPTION**

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

**State Public School Building Authority** - issues limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for school districts. These bonds are repaid solely from lease/loan payments from the schools.

**Philadelphia Shipyard Development Corporation** - assists the primary government (PG) and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The Philadelphia Shipyard Development Corporation has a December 31, 2019 fiscal year-end.

**Ben Franklin Technology Development Authority** - promotes economic development through interaction of technology development, modernization and training programs. Industrial resource centers and technology centers, established through the Ben Franklin Technology Development Authority increase Pennsylvania business competitiveness.

**Port of Pittsburgh Commission** - promotes economic development throughout waterways in southwestern Pennsylvania by constructing and/or financing transportation and recreation facilities.

**Pennsylvania Industrial Development Authority** - collaborates with local industrial development corporations to make loans that help preserve or expand the work force, assist targeted economic areas, or assist specific companies.

**Pennsylvania Convention Center Authority** - operates the Pennsylvania Convention Center located in the City of Philadelphia.

**Thaddeus Stevens College of Technology (College)** - is a two-year technical college that prepares students for skilled employment in a diverse, ever-changing workforce. The College offers a two-year degree or nine-month certificate, in 22 different programs of study. The Commonwealth appropriates monies for College operations.

**Pennsylvania Energy Development Authority (PEDA)** - finances clean, advanced energy projects in Pennsylvania. Pennsylvania projects that could potentially qualify for funding from the PEDA include solar energy, wind, low-impact hydropower, geothermal, biomass, landfill gas, fuel cells, IGCC, waste coal, coal-mine methane, and demand management measures. The PEDA presently can award grants, loans, and loan guarantees.

**Pennsylvania Health Insurance Exchange Authority (PHIEA)** - establishes and operates the Commonwealth's Health Insurance Exchange to provide Pennsylvania residents greater access to more affordable healthcare. The Pennsylvania Health Insurance Exchange Authority has a December 31, 2019 fiscal year-end.

**Other** - to account for activities of the Pennsylvania Higher Educational Facilities Authority, whose purpose is to facilitate debt issuances for the construction of public/private colleges and universities, and the Pennsylvania Rural Health Redesign Center, commissioned to design and maintain a global payment model for the provision of health services in rural communities. They are presented in aggregate due to the current limited financial scope of these organizations.

There are a total of 17 discretely presented component units (DPCU). The **Pennsylvania Turnpike Commission, Pennsylvania Housing Finance Agency, Pennsylvania Higher Education Assistance Agency, Pennsylvania Infrastructure Investment Authority, and State System of Higher Education** are reported as major DPCU's. The Pennsylvania Economic Development Financing Authority is not reported because the only activities for this component unit involve conduit debt.

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**Commonwealth of Pennsylvania**  
**Combining Statement of Net Position**  
Nonmajor Discretely Presented Component Units  
June 30, 2020

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2019)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2019)	Other	Total
<b>ASSETS</b>											
Current assets:											
Cash .....	\$ —	\$ 119	\$ —	\$ —	\$ 980	\$ 22,353	\$ 6,733	\$ —	\$ —	\$ 2,000	\$ 32,185
Temporary investments .....	11,226	—	24,845	2,418	234,958	45,543	4,653	272	341	—	324,256
Receivables (net):											
Accounts .....	—	—	—	1	43	3,669	54	—	—	59	3,826
Investment income .....	71	—	10	—	—	—	—	—	—	—	81
Interest on notes and loans .....	21	—	—	—	986	—	—	—	—	—	1,007
Loans .....	1,942	—	—	—	41,218	—	—	—	—	—	43,160
Other .....	59	—	—	—	—	—	311	—	—	—	370
Due from Federal Government .....	—	—	—	3,331	—	—	—	—	—	—	3,331
Inventory .....	—	—	—	—	—	—	937	—	—	—	937
Prepaid and deferred expenses .....	—	15	—	—	—	2,492	82	—	—	—	2,589
<b>Total current assets .....</b>	<b>13,319</b>	<b>134</b>	<b>24,855</b>	<b>5,750</b>	<b>278,185</b>	<b>74,057</b>	<b>12,770</b>	<b>272</b>	<b>341</b>	<b>2,059</b>	<b>411,742</b>
Noncurrent assets:											
Restricted cash .....	—	—	—	—	—	—	256	—	—	—	256
Long-term investments .....	14,506	—	—	—	—	—	4,391	4,368	—	—	23,265
Receivables (net):											
Loans .....	4,693	—	27,704	—	294,306	—	—	—	—	—	326,703
Non-depreciable capital assets:											
Land .....	—	161	—	—	—	994	—	—	—	—	1,155
Construction in progress .....	—	—	—	—	—	21,848	3,562	—	—	—	25,410
Depreciable or amortizable capital assets:											
Land improvements .....	—	—	—	—	—	—	4,140	—	—	—	4,140
Buildings and building improvements .....	—	—	—	—	—	791,127	4,410	—	—	—	795,537
Machinery and equipment .....	420	—	—	59	—	186,655	9,177	—	—	—	196,311
Library books .....	—	—	—	—	—	—	384	—	—	—	384
Other capital assets .....	—	1	—	—	—	—	—	—	—	—	1
Less: accumulated depreciation and amortization .....	(360)	—	—	(32)	—	(430,584)	(8,488)	—	—	—	(439,464)
Net depreciable or amortizable capital assets .....	60	1	—	27	—	547,198	9,623	—	—	—	556,909
Other assets .....	—	—	—	—	—	3,777	623	—	—	—	4,400
<b>Total noncurrent assets .....</b>	<b>19,259</b>	<b>162</b>	<b>27,704</b>	<b>27</b>	<b>294,306</b>	<b>573,817</b>	<b>18,455</b>	<b>4,368</b>	<b>—</b>	<b>—</b>	<b>938,098</b>
<b>TOTAL ASSETS .....</b>	<b>32,578</b>	<b>296</b>	<b>52,559</b>	<b>5,777</b>	<b>572,491</b>	<b>647,874</b>	<b>31,225</b>	<b>4,640</b>	<b>341</b>	<b>2,059</b>	<b>1,349,840</b>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES .....</b>											
	\$ 523	\$ —	\$ 371	\$ 219	\$ 5,282	\$ 1,446	\$ 10,245	\$ 55	\$ 12	\$ —	\$ 18,153

**Commonwealth of Pennsylvania**  
**Combining Statement of Net Position**  
 Nonmajor Discretely Presented Component Units  
 June 30, 2020

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2019)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2019)	Other	Total
<b>LIABILITIES</b>											
Current liabilities:											
Accounts payable and accrued liabilities	\$ 44	\$ —	\$ 950	\$ 2,311	\$ 1,052	\$ 8,941	\$ 3,570	\$ 6	\$ 35	\$ 59	\$ 16,968
Securities lending obligations	—	—	—	—	311	—	—	67	—	—	378
Due to primary government	—	—	4	6	5	4,992	1	—	550	200	5,758
Due to other governments	—	—	1	—	1	—	—	—	—	—	2
Interest payable	—	—	—	—	2,041	—	—	—	1	—	2,042
Unearned revenue	—	—	—	—	—	1,420	550	—	—	—	1,970
Revenue bonds payable	—	—	—	—	21,195	—	—	—	—	—	21,195
Capital lease/installment purchase obligations	—	—	—	—	—	—	13	—	—	—	13
Compensated absences	85	—	—	—	—	—	554	—	13	—	652
Other financing obligations	—	—	—	—	—	—	140	—	—	—	140
Other postemployment benefit liability	—	—	20	—	36	283	1,001	5	—	—	1,345
Other liabilities	3	—	—	—	—	—	—	—	—	—	3
<b>Total current liabilities</b>	<b>132</b>	<b>—</b>	<b>975</b>	<b>2,317</b>	<b>24,641</b>	<b>15,636</b>	<b>5,829</b>	<b>78</b>	<b>599</b>	<b>259</b>	<b>50,466</b>
Noncurrent liabilities:											
Due to primary government	—	—	—	—	—	—	—	—	—	1,800	1,800
Revenue bond payable	—	—	—	—	88,377	—	—	—	—	—	88,377
Capital lease/installment purchase obligations	—	—	—	—	—	—	25	—	—	—	25
Other financing obligations	—	—	—	—	—	—	2,467	—	—	—	2,467
Compensated absences	175	—	—	106	—	—	2,674	—	66	—	3,021
Other postemployment benefit liability	1,074	—	429	274	795	4,532	21,179	99	—	—	28,382
Net pension liability	2,087	—	624	794	880	4,173	19,700	192	173	—	28,623
Other liabilities	19	—	—	—	—	—	103	—	—	—	122
<b>Total noncurrent liabilities</b>	<b>3,355</b>	<b>—</b>	<b>1,053</b>	<b>1,174</b>	<b>90,052</b>	<b>8,705</b>	<b>46,148</b>	<b>291</b>	<b>239</b>	<b>1,800</b>	<b>152,817</b>
<b>TOTAL LIABILITIES</b>	<b>3,487</b>	<b>—</b>	<b>2,028</b>	<b>3,491</b>	<b>114,693</b>	<b>24,341</b>	<b>51,977</b>	<b>369</b>	<b>838</b>	<b>2,059</b>	<b>203,283</b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,980</b>	<b>—</b>	<b>760</b>	<b>469</b>	<b>881</b>	<b>1,617</b>	<b>23,192</b>	<b>117</b>	<b>16</b>	<b>—</b>	<b>29,032</b>
<b>NET POSITION</b>											
Net investment in capital assets	60	162	—	27	—	570,040	10,540	—	—	—	580,829
Restricted for:											
Debt service	—	—	—	—	51,151	—	—	—	—	—	51,151
Economic development	—	134	50,142	2,009	—	53,322	—	4,209	—	—	109,816
Other purposes	27,574	—	—	—	—	—	—	—	—	—	27,574
Unrestricted	—	—	—	—	411,048	—	(44,239)	—	(501)	—	366,308
<b>TOTAL NET POSITION</b>	<b>\$ 27,634</b>	<b>\$ 296</b>	<b>\$ 50,142</b>	<b>\$ 2,036</b>	<b>\$ 462,199</b>	<b>\$ 623,362</b>	<b>\$ (33,699)</b>	<b>\$ 4,209</b>	<b>\$ (501)</b>	<b>\$ —</b>	<b>\$ 1,135,678</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Activities**  
Nonmajor Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (Dec. 31, 2019)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2019)	Other	Total
Expenses .....	\$ 1,184	\$ 246	\$ 16,039	\$ 4,118	\$ 23,118	\$ 80,832	\$ 29,827	\$ 149	\$ 901	\$ 1,001	\$ 157,415
Program revenues:											
Charges for goods and services .....	1,194	—	264	—	6,172	13,372	11,881	—	—	1,001	33,884
Operating grants and contributions .....	458	3	15,158	5,032	44,687	34,656	24,092	233	400	—	124,719
Capital grants and contributions .....	—	—	—	—	—	34,000	556	—	—	—	34,556
<b>TOTAL PROGRAM REVENUES .....</b>	<b>1,652</b>	<b>3</b>	<b>15,422</b>	<b>5,032</b>	<b>50,859</b>	<b>82,028</b>	<b>36,529</b>	<b>233</b>	<b>400</b>	<b>1,001</b>	<b>193,159</b>
<b>CHANGE IN NET POSITION .....</b>	<b>468</b>	<b>(243)</b>	<b>(617)</b>	<b>914</b>	<b>27,741</b>	<b>1,196</b>	<b>6,702</b>	<b>84</b>	<b>(501)</b>	<b>—</b>	<b>35,744</b>
<b>TOTAL NET POSITION, JULY 1, 2019 .....</b>	<b>27,166</b>	<b>539</b>	<b>50,759</b>	<b>1,122</b>	<b>434,458</b>	<b>622,166</b>	<b>(40,401)</b>	<b>4,125</b>	<b>—</b>	<b>—</b>	<b>1,099,934</b>
<b>TOTAL NET POSITION, JUNE 30, 2020 .....</b>	<b>\$ 27,634</b>	<b>\$ 296</b>	<b>\$ 50,142</b>	<b>\$ 2,036</b>	<b>\$ 462,199</b>	<b>\$ 623,362</b>	<b>\$ (33,699)</b>	<b>\$ 4,209</b>	<b>\$ (501)</b>	<b>\$ —</b>	<b>\$1,135,678</b>



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Statistical Section

Statistical Section Table of Contents**Financial Trends**

*These tables illustrate how the Commonwealth's financial position has changed over time by providing information on the Commonwealth's net position, changes in net position, fund balance, and changes in fund balance.*

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**Revenue Capacity**

*These tables contain information on the factors that affect the Commonwealth's ability to generate its own-source revenues. The Commonwealth's largest source of revenues is taxes. Information for the three largest tax types is contained within these tables. Personal income, sales, and corporation taxes account for 73% of all general revenues for the June 30, 2020 fiscal year (as reported in the statement of activities).*

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**Commonwealth of Pennsylvania**  
**Financial Trends**

Table 1  
Net Position by Component  
Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2011	2012 (2)	2013 (2)(3)	2014 (3)(4)	2015 (4)(5)	2016 (6)	2017 (6)(7)	2018 (7)	2019 (8)	2020 (8)(9)
<b>GOVERNMENTAL ACTIVITIES (1)</b>										
Net investment in capital assets	\$ 25,352,588	\$ 26,580,581	\$ 27,774,808	\$ 28,344,818	\$ 29,177,938	\$ 30,524,584	\$ 31,540,865	\$ 32,975,535	\$ 34,261,559	\$ 34,888,556
Restricted for:										
General government operations (2)(4)	672,834	—	1,739	—	35	47	75	197	217,571	205,566
Health-related programs	61,785	18,977	18,830	16,982	15,412	14,294	13,918	13,133	18,033	33,797
Transportation	1,000,129	670,168	352,317	298,733	481,202	599,545	724,063	920,443	1,209,807	1,330,256
Unemployment/worker's compensation	367,006	427,934	499,547	528,908	405,823	468,215	529,416	522,065	655,581	705,073
Environmental and conservation programs	331,102	565,891	512,807	551,972	365,837	318,622	370,188	283,430	308,401	335,978
Economic development	—	—	—	—	—	—	6,862	5,619	2,907	3,324
Gaming licensing/regulation	720,578	725,468	709,348	651,467	502,589	426,436	400,131	136,002	141,125	—
Correctional industries and procurement	62,868	71,095	52,287	38,976	5,498	6,284	26,422	—	—	—
Emergency support	51,926	46,793	52,178	50,535	55,044	65,361	93,002	92,680	110,587	106,856
Beneficiaries (9)	—	—	—	—	—	—	—	—	—	473,729
Other purposes	40,078	35,614	35,626	57,614	24,019	18,528	—	—	—	—
Unrestricted	(4,407,594)	(5,460,053)	(5,685,524)	(7,658,746)	(17,846,863)	(19,407,921)	(21,275,848)	(42,892,246)	(42,926,794)	(44,708,988)
<b>TOTAL GOVERNMENTAL ACTIVITIES NET POSITION</b>	<b>24,253,300</b>	<b>23,682,468</b>	<b>24,323,963</b>	<b>22,881,259</b>	<b>13,186,534</b>	<b>13,033,995</b>	<b>12,429,094</b>	<b>(7,943,142)</b>	<b>(6,001,223)</b>	<b>(6,625,853)</b>
<b>BUSINESS-TYPE ACTIVITIES (1)</b>										
Net investment in capital assets	84,065	77,259	465,161	489,357	504,790	528,443	556,456	600,833	707,080	753,154
Restricted for:										
Health-related programs	2,323	1,340	4,456	5,588	—	—	—	—	—	—
Transportation	118,938	121,760	126,986	134,364	136,802	139,029	140,676	136,932	141,160	144,657
Capital projects	—	—	—	—	—	2	149	182	166	494
Debt service	—	—	4,199	4,199	4,199	4,199	4,200	4,224	4,273	4,240
Unemployment/worker's compensation	—	—	—	—	—	685,191	1,746,563	2,861,392	4,094,675	1,969,190
Economic development (6)	304,767	309,636	325,269	333,821	5,256	5,102	6,373	13,495	6,073	19,880
Emergency support	144,834	147,747	151,853	156,951	129,459	132,008	127,464	130,377	134,694	133,029
Higher Education	—	—	29,009	155,638	226,767	218,155	282,773	381,710	465,429	464,775
Other purposes	94,985	98,203	105,929	147,076	116,825	123,408	135,536	133,877	147,636	159,771
Unrestricted	(2,314,339)	(1,913,601)	(2,412,444)	(1,961,503)	(1,632,295)	(1,395,385)	(2,274,989)	(5,038,475)	(5,387,051)	(4,699,861)
<b>TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION</b>	<b>(1,564,427)</b>	<b>(1,157,656)</b>	<b>(1,199,582)</b>	<b>(534,509)</b>	<b>(508,197)</b>	<b>440,152</b>	<b>725,201</b>	<b>(775,453)</b>	<b>314,135</b>	<b>(1,050,671)</b>
<b>PRIMARY GOVERNMENT (1)</b>										
Net investment in capital assets	25,436,653	26,657,840	28,239,969	28,834,175	29,682,728	31,053,027	32,097,321	33,576,368	34,968,639	35,641,710
Restricted for:										
General government operations (2)(4)	672,834	—	1,739	—	35	47	75	197	217,571	205,566
Health-related programs	64,108	20,317	23,286	22,570	15,412	14,294	13,918	13,133	18,033	33,797
Transportation	1,119,067	791,928	479,303	433,097	618,004	738,574	864,739	1,057,375	1,350,967	1,474,913
Capital projects	—	—	—	—	—	2	149	182	166	494
Debt service	—	—	4,199	4,199	4,199	4,199	4,200	4,224	4,273	4,240
Unemployment/worker's compensation	367,006	427,934	499,547	528,908	405,823	1,153,406	2,275,979	3,383,457	4,750,256	2,674,263
Environmental and conservation programs	331,102	565,891	512,807	551,972	365,837	318,622	370,188	283,430	308,401	335,978
Economic development (6)	304,767	309,636	325,269	333,821	5,256	5,102	13,235	19,114	8,980	23,204
Gaming licensing/regulation	720,578	725,468	709,348	651,467	502,589	426,436	400,131	136,002	141,125	—
Correctional industries and procurement	62,868	71,095	52,287	38,976	5,498	6,284	26,422	—	—	—
Emergency support	196,760	194,540	204,031	207,486	184,503	197,369	220,466	223,057	245,281	239,885
Higher education	—	—	29,009	155,638	226,767	218,155	282,773	381,710	465,429	464,775
Beneficiaries (9)	—	—	—	—	—	—	—	—	—	473,729
Other purposes	135,063	133,817	141,555	204,690	140,844	141,936	135,536	133,877	147,636	159,771
Unrestricted	(6,721,933)	(7,373,654)	(8,097,968)	(9,620,249)	(19,479,158)	(20,803,306)	(23,550,837)	(47,930,721)	(48,313,845)	(49,408,849)
<b>TOTAL PRIMARY GOVERNMENT NET POSITION (1)</b>	<b>\$ 22,688,873</b>	<b>\$ 22,524,812</b>	<b>\$ 23,124,381</b>	<b>\$ 22,346,750</b>	<b>\$ 12,678,337</b>	<b>\$ 13,474,147</b>	<b>\$ 13,154,295</b>	<b>\$ (8,718,595)</b>	<b>\$ (5,687,088)</b>	<b>\$ (7,676,524)</b>

## Commonwealth of Pennsylvania

### Financial Trends

#### Table 1

#### Net Position by Component

#### Last Ten Fiscal Years as of June 30

**Source:** The Commonwealth's Comprehensive Annual Financial Report (CAFR), as presented for the applicable fiscal year. For fiscal years 2011-2012, the information can be found in the statement of net assets. Beginning with the 2013 fiscal year, the information can be found in the statement of net position.

#### Notes:

(1) Beginning with the 2013 fiscal year, the Commonwealth implemented two new GASB standards which affected this table. With the implementation of GASB 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. Therefore, their net position is reported within the business-type activities caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental activities caption. The implementation of GASB 63 resulted in the Commonwealth reporting a statement of net position for the 2013 fiscal year, replacing the statement of net assets which had been reported in previous fiscal years. For purposes of this table, the implementation of GASB 63 had no effect other than changing the title of this table and the net investment in capital assets caption title. The purpose of each reported caption did not change with the implementation. These two standards were not retroactively applied to the previous fiscal years; therefore the amounts shown for the 2011-2012 fiscal years were those reported within the statement of net assets for the applicable fiscal year. For ease of reading this table and the additional notes shown below, net position is interchanged with net assets which were in effect for fiscal years 2011-2012.

(2) As a result of the implementation of GASB 61 described in Note 1 above, the beginning net position balance for governmental activities and business-type activities was decreased by \$6,165 and \$273,595, respectively, as of July 1, 2012. Therefore, the ending net position balance (for governmental activities, business-type activities, and total primary government) shown in this table as of June 30, 2012 plus the change in net position shown in table 2 for the June 30, 2013 fiscal year will differ from the ending net position balance (for governmental activities, business-type activities and total primary government) shown in this table as of June 30, 2013. Note B in the notes to the financial statements in the June 30, 2013 CAFR provides additional details on this restatement.

(3) For the 2014 fiscal year, the Commonwealth implemented GASB Statement 65 requiring the deferral of resources. With the implementation of GASB 65, the beginning net position for governmental activities, business-type activities and total primary government net position was restated and decreased by \$31,614, \$34,565, and \$66,179, respectively, as of July 1, 2013. Therefore, the ending net position balance (for governmental activities, business-type activities, and total primary government) shown in this table as of June 30, 2013 plus the change in net position shown in Table 2 for the June 30, 2014 fiscal year will differ from the ending net position balance (for governmental activities, business-type activities and total primary government) shown in this table as of June 30, 2014. Note B in the notes to the financial statements in the June 30, 2014 CAFR provides additional details on this restatement.

(4) For the 2015 fiscal year, the Commonwealth implemented GASB Statements 68 and 71, which required the reporting of net pension liability, including the associated deferral of resources. With the implementation of GASB 68 and 71, the beginning net position for governmental activities, business-type activities and total primary government net position was restated and decreased by \$10,622,867, \$460,686, and \$11,083,553, respectively, as of July 1, 2014. Therefore, the ending net position balance (for governmental activities, business-type activities, and total primary government) shown in this table as of June 30, 2014 plus the change in net position shown in Table 2 for the June 30, 2015 fiscal year will differ from the ending net position balance (for governmental activities, business-type activities and total primary government) shown in this table as of June 30, 2015. Note B in the notes to the financial statements in the June 30, 2015 CAFR provides additional details on this restatement.

(5) Through the 2014 fiscal year, the net position of the Small Business First Fund and the Machinery and Equipment Loan Fund (both proprietary funds) were included within the economic development restricted net position category. Effective November 1, 2014, their operations were transferred to the Pennsylvania Industrial Development Authority, a discretely presented component unit.

(6) For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 CAFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. With this merger, the beginning net position for governmental activities and total primary government both were increased by \$361, as of July 1, 2016. Therefore, the ending net position balance (for governmental activities and total primary government) shown in this table as of June 30, 2016 plus the change in net position shown in Table 2 for the June 30, 2017 fiscal year will differ from the ending net position balance (for governmental activities and total primary government) shown in this table as of June 30, 2017. Note 18 in the notes to the financial statements in the June 30, 2017 CAFR provides additional details on this restatement.

(7) For the 2018 fiscal year, the Commonwealth implemented GASB Statement 75, which established new standards for reporting the liabilities and associated deferral of resources associated with other postemployment benefits provided to employees of state and local governments. With the implementation of GASB 75, the beginning net position for governmental activities, business-type activities and total primary government net position was restated and decreased by \$22,422,768, \$1,012,462, and \$23,435,230, respectively, as of July 1, 2017. Therefore, the ending net position balance (for governmental activities, business-type activities, and total primary government) shown in this table as of June 30, 2017 plus the change in net position shown in Table 2 for the June 30, 2018 fiscal year will differ from the ending net position balance (for governmental activities, business-type activities and total primary government) shown in this table as of June 30, 2018. Note 18 in the notes to the financial statements in the June 30, 2018 CAFR provides additional details on this restatement.

(8) For the 2020 fiscal year, the Commonwealth implemented GASB Statement 84, which established new standards for identifying and reporting fiduciary activity. With the implementation of GASB 84, eleven funds, previously reported as agency fund types, were reclassified and are now reported as governmental fund types. Therefore, their net position is reported within the governmental activities caption. As a result of this implementation, the beginning net position for both the governmental activities and total primary government net position was restated and decreased by \$456,422, as of July 1, 2019. Therefore, the ending net position balance (for governmental activities and total primary government) shown in this table as of June 30, 2019 plus the change in net position shown in Table 2 for the June 30, 2020 fiscal year will differ from the ending net position balance (for governmental activities and total primary government) shown in this table as of June 30, 2020. Note 18 in the notes to the financial statements provides additional details on this restatement.

(9) In addition to the restatement described in note (8), the caption "Beneficiaries" was created specifically for any restricted net position for fiduciary assets not held in trust that do not meet the requirements per GASB Statement 84 to be reported as custodial funds in the Statement of Fiduciary Net Position. This caption is also for fiduciary assets not held in trust where the primary government has administrative or direct financial involvement. The restricted net position associated with the eleven funds noted in note (8) are reported within this caption. These changes have not been retroactively applied to prior fiscal years.

**Commonwealth of Pennsylvania**  
**Financial Trends**

Table 2

Changes in Net Position

Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2011	2012	2013	2014 (2)	2015 (3)	2016	2017 (5)	2018 (6)	2019	2020 (7)
<b>GOVERNMENTAL ACTIVITIES (1)</b>										
<b>Expenses:</b>										
Direction and supportive services .....	\$ 2,052,743	\$ 2,243,649	\$ 1,528,057	\$ 1,619,894	\$ 1,415,057	\$ 1,366,741	\$ 1,255,577	\$ 1,580,148	\$ 1,649,677	\$ 1,780,658
Protection of persons and property .....	5,384,710	5,541,681	6,010,950	6,216,380	6,659,818	6,750,256	7,011,736	6,839,284	6,997,412	6,288,160
Public education .....	14,864,360	13,394,225	13,885,466	14,205,019	14,451,280	14,914,554	16,426,782	16,516,828	16,978,293	17,500,801
Health and human services .....	30,388,529	30,680,717	30,495,970	31,634,286	33,880,187	36,620,781	41,335,410	40,314,856	43,215,757	47,281,732
Economic development .....	1,598,596	1,537,068	1,032,887	1,005,570	977,910	883,046	1,006,700	930,891	907,959	2,102,195
Transportation .....	4,465,639	4,382,503	4,764,139	5,204,513	5,751,229	5,943,778	6,365,630	6,193,274	6,472,612	6,234,113
Recreation and cultural enrichment .....	491,082	514,309	519,242	522,662	615,175	607,420	626,244	597,073	591,836	614,142
Interest .....	440,428	475,545	489,401	494,177	266,477	512,324	435,877	520,369	343,572	326,778
<b>Total expenses .....</b>	<b>59,686,087</b>	<b>58,769,697</b>	<b>58,726,112</b>	<b>60,902,501</b>	<b>64,017,133</b>	<b>67,598,900</b>	<b>74,463,956</b>	<b>73,492,723</b>	<b>77,157,118</b>	<b>82,128,579</b>
<b>Program revenues:</b>										
Charges for sales and services:										
Direction and supportive services .....	252,572	277,492	363,296	256,820	975,506	424,384	428,813	351,172	385,580	365,256
Protection of persons and property .....	1,034,481	1,302,020	1,380,582	1,348,469	1,350,043	1,539,295	1,571,915	1,895,974	1,940,835	1,935,737
Public education .....	14,928	4,776	5,926	5,337	5,102	7,647	6,059	7,175	7,370	5,943
Health and human services .....	1,597,599	1,658,657	1,641,534	1,726,322	1,819,309	1,999,519	2,994,241	3,165,336	3,920,299	3,725,122
Economic development .....	11,812	8,205	13,910	6,373	6,695	7,110	6,221	5,582	7,363	124,654
Transportation .....	976,705	970,026	972,417	1,036,790	1,210,668	1,316,284	1,365,419	1,434,982	1,425,810	1,428,307
Recreation and cultural enrichment .....	181,373	245,405	304,903	338,954	274,966	251,242	258,709	250,493	328,164	291,133
Operating grants and contributions .....	26,071,112	22,816,711	22,792,032	22,859,945	24,083,463	26,946,551	30,207,372	29,458,189	31,119,597	35,859,590
Capital grants and contributions .....	221,195	67,866	91,603	42,261	32,186	62,360	78,145	30,682	217,056	30,669
<b>Total program revenues .....</b>	<b>30,361,777</b>	<b>27,351,158</b>	<b>27,566,203</b>	<b>27,621,271</b>	<b>29,757,938</b>	<b>32,554,392</b>	<b>36,916,894</b>	<b>36,599,585</b>	<b>39,352,074</b>	<b>43,766,411</b>
<b>Total governmental activities net program revenues/(expenses)....</b>	<b>(29,324,310)</b>	<b>(31,418,539)</b>	<b>(31,159,909)</b>	<b>(33,281,230)</b>	<b>(34,259,195)</b>	<b>(35,044,508)</b>	<b>(37,547,062)</b>	<b>(36,893,138)</b>	<b>(37,805,044)</b>	<b>(38,362,168)</b>
<b>General revenues and other changes in net position:</b>										
<b>General revenues:</b>										
<b>Taxes:</b>										
Personal income .....	9,771,269	10,022,285	10,798,328	10,817,073	11,678,106	12,025,979	12,072,378	12,810,647	13,588,057	13,253,021
Sales and use .....	8,610,603	8,977,379	9,106,779	9,293,356	9,872,467	10,231,892	10,714,383	10,834,227	11,837,831	11,763,375
Corporation .....	4,469,094	4,504,105	4,781,555	4,314,093	5,195,882	4,134,991	4,406,000	4,548,567	5,049,323	5,099,250
Liquid fuels and motor carriers .....	2,092,645	2,096,222	2,058,226	2,349,982	3,017,991	3,303,273	3,583,153	3,846,040	3,830,243	3,445,897
Gaming (2) .....	1,409,388	1,487,729	1,447,796	1,404,277	1,404,195	1,393,508	1,402,207	1,427,502	1,465,402	1,196,563
Inheritance .....	783,824	803,573	796,007	850,221	976,286	947,699	988,569	1,008,382	1,034,367	1,071,513
Cigarette .....	1,104,355	1,081,587	1,038,605	968,436	954,930	974,267	1,406,189	1,363,371	1,288,162	1,223,918
Realty transfer .....	328,997	343,015	396,552	439,797	485,275	564,002	564,030	606,555	628,245	589,838
Other .....	1,167,804	1,306,395	1,353,566	1,499,745	1,459,063	1,350,437	948,200	624,910	723,702	991,947
<b>Total taxes .....</b>	<b>29,737,979</b>	<b>30,622,290</b>	<b>31,777,414</b>	<b>31,936,980</b>	<b>35,044,195</b>	<b>34,926,048</b>	<b>36,085,109</b>	<b>37,070,201</b>	<b>39,445,332</b>	<b>38,635,322</b>
Investment income .....	52,129	14,979	12,876	36,311	16,072	16,297	22,977	38,758	66,236	45,409
<b>Total general revenues .....</b>	<b>29,790,108</b>	<b>30,637,269</b>	<b>31,790,290</b>	<b>31,973,291</b>	<b>35,060,267</b>	<b>34,942,345</b>	<b>36,108,086</b>	<b>37,108,959</b>	<b>39,511,568</b>	<b>38,680,731</b>
Transfers from business-type activities .....	239,925	210,438	17,275	(103,151)	127,071	(50,376)	833,714	1,834,711	235,395	(486,771)
<b>Net general revenues and transfers .....</b>	<b>30,030,033</b>	<b>30,847,707</b>	<b>31,807,565</b>	<b>31,870,140</b>	<b>35,187,338</b>	<b>34,891,969</b>	<b>36,941,800</b>	<b>38,943,670</b>	<b>39,746,963</b>	<b>38,193,960</b>
<b>Total governmental activities change in net position .....</b>	<b>\$ 705,723</b>	<b>\$ (570,832)</b>	<b>\$ 647,656</b>	<b>\$ (1,411,090)</b>	<b>\$ 928,143</b>	<b>\$ (152,539)</b>	<b>\$ (605,262)</b>	<b>\$ 2,050,532</b>	<b>\$ 1,941,919</b>	<b>\$ (168,208)</b>

**Commonwealth of Pennsylvania**  
**Financial Trends**

Table 2  
Changes in Net Position  
Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2011	2012	2013	2014 (2)	2015 (3)	2016	2017 (5)	2018 (6)	2019	2020 (7)
<b>BUSINESS-TYPE ACTIVITIES (1)</b>										
<b>Expenses</b>										
State lottery.....	\$ 3,155,903	\$ 3,429,773	\$ 3,732,233	\$ 3,720,574	\$ 4,078,746	\$ 3,967,703	\$ 3,982,011	\$ 4,089,703	\$ 4,498,658	\$ 4,315,251
State workers' insurance.....	306,318	268,388	365,900	267,991	312,856	286,526	221,245	167,630	132,028	102,667
Tuition payment.....	259,069	236,342	248,592	277,139	226,330	231,082	336,445	255,056	255,230	289,113
Unemployment compensation.....	7,460,707	6,031,968	4,498,001	3,189,395	2,235,297	2,322,278	2,088,543	1,911,547	1,785,691	21,726,219
Commonwealth Financing Authority (1).....	N/A	N/A	261,428	189,682	162,358	188,604	217,680	253,020	298,466	383,494
Liquor control.....	1,504,517	1,569,868	1,618,065	1,683,185	1,800,698	1,855,594	1,947,038	1,965,637	1,988,873	1,870,198
Economic development and other (1).....	23,635	16,997	41,199	47,212	57,287	54,089	52,211	55,765	76,317	54,205
<b>Total expenses.....</b>	<b>12,710,149</b>	<b>11,553,336</b>	<b>10,765,418</b>	<b>9,375,178</b>	<b>8,873,572</b>	<b>8,905,876</b>	<b>8,845,173</b>	<b>8,698,358</b>	<b>9,035,263</b>	<b>28,741,147</b>
<b>Program revenues</b>										
Charges for sales and services:										
State lottery.....	3,206,933	3,476,953	3,671,780	3,786,090	3,810,017	4,135,246	4,002,543	4,213,344	4,587,868	4,561,273
State workers' insurance.....	173,571	157,579	178,058	207,208	225,660	211,481	184,205	166,029	153,279	115,981
Tuition payment.....	165,157	185,947	182,555	191,766	191,915	192,187	206,893	205,717	208,814	204,868
Unemployment compensation.....	2,579,252	3,447,659	3,031,318	2,900,976	3,073,915	3,162,555	3,122,318	2,961,853	2,966,174	2,680,334
Commonwealth Financing Authority (1).....	N/A	N/A	101,722	8,463	11,083	9,237	10,497	21,692	15,045	5,917
Liquor control.....	1,586,394	1,673,027	1,747,060	1,803,367	1,880,256	1,956,129	2,046,869	2,116,899	2,169,930	2,078,231
Economic development and other (1).....	24,449	17,478	25,816	25,305	36,170	26,463	29,211	30,511	32,257	33,848
Operating grants and contributions.....	4,858,476	3,211,902	2,166,475	1,048,220	416,322	110,551	361,400	328,832	223,076	17,194,720
Capital grants and contributions.....	—	—	1,128	270	232	—	—	—	3,803	14,398
<b>Total program revenues.....</b>	<b>12,594,232</b>	<b>12,170,545</b>	<b>11,014,362</b>	<b>9,971,665</b>	<b>9,645,570</b>	<b>9,803,849</b>	<b>9,963,936</b>	<b>10,044,877</b>	<b>10,360,246</b>	<b>26,889,570</b>
<b>Total business-type activities net program revenues/(expenses).....</b>	<b>(115,917)</b>	<b>617,209</b>	<b>248,944</b>	<b>596,487</b>	<b>771,998</b>	<b>897,973</b>	<b>1,118,763</b>	<b>1,346,519</b>	<b>1,324,983</b>	<b>(1,851,577)</b>
<b>Other changes in net position</b>										
Special item-loss on transfer of operations (4).....	—	—	—	—	(157,930)	—	—	—	—	—
Transfers to governmental activities.....	(239,925)	(210,438)	(17,275)	103,151	(127,071)	50,376	(833,714)	(1,834,711)	(235,395)	486,771
<b>Net special items and transfers.....</b>	<b>(239,925)</b>	<b>(210,438)</b>	<b>(17,275)</b>	<b>103,151</b>	<b>(285,001)</b>	<b>50,376</b>	<b>(833,714)</b>	<b>(1,834,711)</b>	<b>(235,395)</b>	<b>486,771</b>
<b>Total business-type activities change in net position.....</b>	<b>(355,842)</b>	<b>406,771</b>	<b>231,669</b>	<b>699,638</b>	<b>486,997</b>	<b>948,349</b>	<b>285,049</b>	<b>(488,192)</b>	<b>1,089,588</b>	<b>(1,364,806)</b>
<b>Total primary government change in net position.....</b>	<b>\$ 349,881</b>	<b>\$ (164,061)</b>	<b>\$ 879,325</b>	<b>\$ (711,452)</b>	<b>\$ 1,415,140</b>	<b>\$ 795,810</b>	<b>\$ (320,213)</b>	<b>\$ 1,562,340</b>	<b>\$ 3,031,507</b>	<b>\$ (1,533,014)</b>

Source: The statement of activities, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

**Notes:**

- (1) Beginning with the 2013 fiscal year, the Commonwealth implemented two new GASB standards which affected this table. With the implementation of GASB 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. The Commonwealth Financing Authority is reported as a major enterprise fund, and is reported under the Commonwealth Financing Authority caption. The Philadelphia Regional Port Authority is reported as a nonmajor enterprise fund, and is reported within the "Economic development and other" caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental activities caption. The implementation of GASB 63 resulted in the Commonwealth reporting a statement of net position for the 2013 fiscal year, replacing the statement of net assets which had been reported in previous fiscal years. For purposes of this table, the implementation of GASB 63 had no effect other than changing the reference to changes in net position rather than changes in net assets. These two standards were not retroactively applied to the previous fiscal years. For ease of reading this table, change in net position is interchanged with change in net assets which were in effect for fiscal years 2011-2012.
- (2) Beginning with the 2014 fiscal year, the Commonwealth implemented GASB Statement 65. As noted in Table 1, the Commonwealth restated its net position for July 1, 2013. Note B in the notes to the financial statements in the June 30, 2014 CAFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2014 fiscal year, certain assets are now reported as expenses. The changes were not made retroactively.
- (3) Beginning with the 2015 fiscal year, the Commonwealth implemented GASB Statements 68 and 71. As noted in Table 1, the Commonwealth restated its net position for July 1, 2014. Details on the restatement can be found in Note B in the notes to the financial statements in the June 30, 2015 CAFR. The primary effect on this table is that beginning with the 2015 fiscal year, expenses associated with net pension liability and associated deferral of resources are now being reported within this table. The changes were not made retroactively.
- (4) Effective November 1, 2014, the operations of the Small Business First Fund and the Machinery and Equipment Loan Fund (both proprietary funds) were transferred to the Pennsylvania Industrial Development Authority, a discretely presented component unit.
- (5) Beginning with the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 CAFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. As noted in Table 1, the Commonwealth increased its net position for July 1, 2016. Note 18 in the notes to the financial statements in the June 30, 2017 CAFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2017 fiscal year, the activity associated with these operations is being reported within this table.
- (6) Beginning with the 2018 fiscal year, the Commonwealth implemented GASB Statement 75. As noted in Table 1, the Commonwealth restated its net position for July 1, 2017. Note 18 in the notes to the financial statements in the June 30, 2018 CAFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2018 fiscal year, expenses associated with other postemployment benefit liabilities and associated deferral of resources are now being reported within this table. The changes were not made retroactively.
- (7) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement 84. As noted in Table 1, the Commonwealth restated its net position for July 1, 2019. Details on the restatement can be found in Note 18 to the Financial Statements. The primary effect on this table is that beginning with the 2020 fiscal year, the activity of eleven funds, previously reported as agency funds, are now reported within governmental activities. The changes were not made retroactively.

**Commonwealth of Pennsylvania**

**Financial Trends**

Table 3

Governmental Fund Type Fund Balances

Last Ten Fiscal Years as of June 30

(Modified accrual basis of accounting-amounts in thousands)

	2011	2012 (2)	2013 (2)	2014	2015	2016 (4)	2017 (4)	2018	2019 (5)	2020 (5)
<b>GENERAL FUND (1)(3)(4)</b>										
Nonspendable.....	\$ 123,156	\$ 240,975	\$ 223,930	\$ 265,403	\$ 247,216	\$ 284,398	\$ 218,343	\$ 201,500	\$ 183,102	\$ 170,248
Restricted.....	756,141	—	76	45	36	45	78	1,378	8,791	21,779
Committed.....	1,063,613	1,276,671	1,334,872	1,119,470	1,289,298	1,486,831	2,321,358	2,737,182	2,820,739	3,181,608
Assigned.....	—	—	7,132	—	—	—	—	—	—	—
Unassigned/(deficit).....	(321,475)	(258,351)	—	(1,950,956)	(1,262,997)	(1,681,165)	(3,237,347)	(2,126,350)	(2,177,242)	(4,898,838)
<b>TOTAL GENERAL FUND.....</b>	<b>1,621,435</b>	<b>1,259,295</b>	<b>1,566,010</b>	<b>(566,038)</b>	<b>273,553</b>	<b>90,109</b>	<b>(697,568)</b>	<b>813,710</b>	<b>835,390</b>	<b>(1,525,203)</b>
<b>ALL OTHER GOVERNMENTAL FUNDS (1)(3)(4)</b>										
Restricted reported in:										
Special Revenue funds.....	3,711,994	3,690,354	3,557,116	3,776,739	3,756,605	3,708,867	3,122,650	3,347,768	4,723,873	5,290,753
Committed reported in:										
Special Revenue funds.....	426,391	402,207	374,074	373,185	116,314	159,035	159,374	66,986	107,388	64,077
Debt Service funds.....	17,040	48,400	37,041	9,221	11,717	23,446	7,240	53,594	14,206	5,158
Capital Projects funds.....	239,180	509,618	282,094	423,670	1,022,565	566,823	1,179,244	1,659,719	930,615	359,311
Unassigned reported in:										
Special Revenue funds (deficit).....	(2,837)	(2,955)	(3,167)	—	(1,936)	—	(42,077)	(9,481)	(13,937)	(14,874)
Capital Projects funds (deficit).....	(20,711)	—	—	—	—	—	—	—	—	—
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS.....</b>	<b>\$ 4,371,057</b>	<b>\$ 4,647,624</b>	<b>\$ 4,247,158</b>	<b>\$ 4,582,815</b>	<b>\$ 4,905,265</b>	<b>\$ 4,458,171</b>	<b>\$ 4,426,431</b>	<b>\$ 5,118,586</b>	<b>\$ 5,762,145</b>	<b>\$ 5,704,425</b>

Source: The balance sheet-governmental funds statement, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

**Notes:**

- Beginning with the 2013 fiscal year, the Commonwealth implemented GASB 61, which affected this table. With the implementation of GASB 61, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental fund caption.
- As a result of the implementation of GASB 61 described in Note (1) above, the beginning fund balance for the General Fund was restated and decreased by \$6,165 as of July 1, 2012. Therefore, the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2012 plus the change in fund balances shown in Table 4 for the June 30, 2013 fiscal year will differ from the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2013. Note B in the notes to the financial statements in the June 30, 2013 CAFR provides additional details on this restatement.
- The Cigarette Fire Safety & Firefighter Protection Fund was initially created and reported as a component of the General Fund in the June 30, 2013 CAFR. Based on criteria established by GASB Statement 54, it was determined that this fund should have been classified as a special revenue fund. Therefore, this reclassification required the restatement of the General Fund fund balance from the \$1,566,010 shown in this schedule at the end of the 2013 fiscal year to \$1,565,668 which was reported at July 1, 2013. Likewise, the fund balance for all other governmental funds was restated from the \$4,247,158 shown at the end of the 2013 fiscal year to \$4,247,500 at July 1, 2013. Note B in the notes to the financial statements in the June 30, 2014 CAFR provides additional details on this restatement.
- For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 CAFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The activity is reported within the General Fund. With this merger, the beginning fund balance for the General Fund was increased by \$2,048, as of July 1, 2016. In addition, the Veterans' Trust Fund was initially created and reported as a component of the General Fund in the June 30, 2013 CAFR. Based on criteria established by GASB Statement 54, it was determined for the June 30, 2017 CAFR that this fund should have been classified as a special revenue fund. This required the beginning fund balance of the General Fund to be decreased by \$1,960, and the fund balance for all other governmental funds was increased by \$1,960. The net effect of both was an increase in the beginning fund balance of the General Fund from the \$90,109 shown in this schedule at the end of the 2016 fiscal year to \$90,197 which was reported at July 1, 2016. Likewise, the fund balance for all other governmental funds was increased from the \$4,458,171 shown at the end of the 2016 fiscal year to \$4,460,131 at July 1, 2016. Therefore, the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2016 plus the change in fund balances shown in Table 4 for the June 30, 2017 fiscal year will differ from the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2017. Note 18 in the notes to the financial statements in the June 30, 2018 CAFR provides additional details on this restatement.
- Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement 84, which affected this table. With the implementation of GASB Statement 84, eleven funds, previously reported as agency fund types, were reclassified as governmental fund types. Two of these fund types were reclassified as components of the General Fund, and the remaining nine were reclassified as special revenue funds. This reclassification required the restatement of the General Fund fund balance from the \$835,390, shown in this schedule at the end of the 2019 fiscal year, to \$835,414 which was reported at July 1, 2019. Likewise, the fund balance for all other governmental funds was restated from the \$5,762,145, shown at the end of the 2019 fiscal year, to \$6,642,803 at July 1, 2019. Note 18 in the notes to the financial statements provides additional details on this restatement.

**Commonwealth of Pennsylvania**

**Financial Trends**

**Table 4**

**Revenues by Source and Expenditures by Function-All Governmental Fund Types**

**Last Ten Fiscal Years as of June 30**

(Modified accrual basis of accounting-amounts in thousands)

	2011	2012	2013 (1)	2014	2015	2016	2017	2018	2019	2020 (4)
<b>REVENUES BY SOURCE</b>										
Taxes, net of refunds .....	\$ 30,007,455	\$ 30,775,017	\$ 31,722,661	\$ 31,696,451	\$ 35,049,415	\$ 35,062,564	\$ 35,804,620	\$ 37,166,942	\$ 39,167,899	\$ 38,514,172
Licenses and fees .....	1,806,751	2,070,914	2,149,402	2,212,222	2,414,048	2,711,573	2,777,557	3,121,904	3,318,825	3,030,191
Intergovernmental .....	26,029,290	22,804,215	22,683,124	22,543,458	24,083,157	27,130,356	29,734,671	29,257,457	30,975,599	35,761,569
Charges for sales and services .....	1,688,449	1,763,586	1,839,507	1,920,911	2,793,311	2,129,846	3,099,188	3,342,704	3,695,729	4,244,796
Investment income .....	326,021	116,945	155,845	270,607	93,756	85,338	218,483	169,233	288,839	239,000
Other (2) .....	632,670	709,810	767,463	486,992	441,176	702,830	739,385	630,784	971,589	614,718
<b>TOTAL REVENUES .....</b>	<b>60,490,636</b>	<b>58,240,487</b>	<b>59,318,002</b>	<b>59,130,641</b>	<b>64,874,863</b>	<b>67,822,507</b>	<b>72,373,904</b>	<b>73,689,024</b>	<b>78,418,480</b>	<b>82,404,446</b>
<b>EXPENDITURES BY FUNCTION</b>										
Direction and supportive services .....	1,622,374	1,578,240	1,557,306	1,535,593	1,329,707	1,124,931	1,150,808	1,407,098	1,372,559	1,678,050
Protection of persons and property .....	5,307,198	5,089,854	5,668,261	5,753,876	5,936,010	5,884,950	6,208,519	6,276,949	6,593,861	6,659,007
Health and human services .....	30,435,510	30,662,493	30,371,117	31,773,484	33,920,750	36,729,441	40,378,702	40,186,060	43,256,755	47,762,894
Public education .....	14,836,658	13,363,316	13,858,078	14,108,944	14,414,312	14,867,677	16,345,233	16,467,799	16,934,932	17,464,045
Recreation and cultural enrichment .....	463,501	482,065	474,966	484,137	544,326	536,873	533,125	559,015	563,846	612,400
Economic development .....	1,596,548	1,405,895	1,028,828	1,000,607	970,286	858,890	983,358	916,074	926,245	2,132,049
Transportation .....	3,129,306	3,264,969	3,342,421	3,467,088	4,096,439	4,275,308	4,520,863	4,326,573	4,570,221	4,520,671
Capital outlay .....	3,248,174	3,389,801	2,915,982	2,836,086	2,961,404	3,186,397	2,920,195	3,426,519	3,374,576	3,001,104
Debt service:										
Principal retirement .....	697,510	711,875	769,390	761,345	762,425	757,455	768,551	724,720	815,185	835,116
Interest and fiscal charges .....	477,751	510,783	531,564	554,574	563,326	578,463	582,068	567,924	589,894	555,939
<b>TOTAL EXPENDITURES .....</b>	<b>61,814,530</b>	<b>60,459,291</b>	<b>60,517,913</b>	<b>62,275,734</b>	<b>65,498,985</b>	<b>68,800,385</b>	<b>74,391,422</b>	<b>74,858,731</b>	<b>78,998,074</b>	<b>85,221,275</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES .....</b>										
	(1,323,894)	(2,218,804)	(1,199,911)	(3,145,093)	(624,122)	(977,878)	(2,017,518)	(1,169,707)	(579,594)	(2,816,829)
<b>OTHER FINANCING SOURCES/(USES)</b>										
Bonds issued .....	650,000	1,600,303	950,300	1,295,000	1,460,000	355,000	1,208,725	1,247,000	—	—
Refunding bonds issued .....	—	161,272	361,760	289,946	782,425	633,175	605,170	970,030	886,875	—
Premium on bonds/refunding bonds issued .....	37,739	259,314	216,416	203,088	318,957	173,671	242,927	252,698	176,780	—
Discount on bonds issued .....	(4,724)	—	—	—	(1,441)	(780)	(2,286)	(1,430)	—	—
Other financing agreements .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	201,115	—	—
Transfers in .....	2,344,796	1,777,033	1,914,421	1,956,242	2,242,290	2,265,296	3,158,742	4,022,068	2,887,453	2,286,787
Transfers out .....	(2,062,410)	(1,580,564)	(1,888,173)	(2,059,393)	(2,115,219)	(2,315,672)	(2,325,028)	(2,187,357)	(2,652,058)	(2,773,558)
Payment to refunded bond escrow agent .....	—	(192,390)	(444,364)	(336,896)	(900,849)	(763,350)	(683,084)	(1,136,887)	(1,059,811)	—
Capital lease and installment purchase obligations .....	111	108,263	1,965	715	—	—	—	749	1,635	4,605
<b>TOTAL OTHER FINANCING SOURCES/(USES) .....</b>	<b>965,512</b>	<b>2,133,231</b>	<b>1,112,325</b>	<b>1,348,702</b>	<b>1,786,163</b>	<b>347,340</b>	<b>2,205,166</b>	<b>3,367,986</b>	<b>240,874</b>	<b>(482,166)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>\$ (358,382)</b>	<b>\$ (85,573)</b>	<b>\$ (87,586)</b>	<b>\$ (1,796,391)</b>	<b>\$ 1,162,041</b>	<b>\$ (630,538)</b>	<b>\$ 187,648</b>	<b>\$ 2,198,279</b>	<b>\$ (338,720)</b>	<b>\$ (3,298,995)</b>
Debt Service as a Percentage of Noncapital Expenditures (3) .....	2.01 %	2.14 %	2.26 %	2.21 %	2.12 %	2.04 %	1.89 %	1.81 %	1.86 %	1.69 %

Source: The statement of revenues, expenditures, and changes in fund balances-governmental funds statement, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

Notes:

(1) Beginning with the 2013 fiscal year, the Commonwealth implemented GASB 61, which affected this table. With the implementation of GASB 61, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within this table. This change was not retroactively applied to the previous fiscal years.

(2) Other revenues include immaterial amounts of lease rentals revenues and interest on notes and loans.

(3) Ratio is calculated as principal retirement plus interest and fiscal charges expenditures divided by total expenditures less capital outlay expenditures. There are no expenditures for capitalized assets contained within the functional expenditure categories.

(4) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement 84. As noted in Table 3, the Commonwealth restated the governmental fund balances for July 1, 2019. Details on the restatement can be found in Note 18 in the notes to the financial statements. The primary effect on this table is that beginning with the 2020 fiscal year, the activity of eleven funds, previously reported as agency funds, are now reported as governmental fund types within this table. The changes were not made retroactively.

**Commonwealth of Pennsylvania**  
**Revenue Capacity-Personal Income Tax**  
**Table 5**  
**Personal Income by Industry**  
**For the Last Ten Calendar Years**

(Amounts in millions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>TOTAL PERSONAL INCOME BY INDUSTRY (1)(2)</b>										
<b>Workplace Earnings:</b>										
<b>Farm Earnings</b> .....	\$ 1,342	\$ 1,779	\$ 2,055	\$ 2,305	\$ 2,622	\$ 1,677	\$ 844	\$ 1,617	\$ 1,021	\$ 1,477
<b>Nonfarm Earnings:</b>										
<b>Private earnings:</b>										
Forestry, fishing/hunting, agriculture.....	598	563	682	699	755	842	844	833	862	901
Mining.....	3,277	3,918	4,021	4,477	5,119	3,391	2,194	3,882	3,177	3,262
Utilities.....	2,878	3,193	3,010	3,129	3,207	3,627	3,746	3,686	3,857	3,813
Construction.....	20,663	21,616	21,932	22,731	24,722	26,090	26,656	28,716	29,745	30,896
Manufacturing.....	39,802	41,053	41,946	42,672	43,855	45,331	44,412	46,373	49,614	51,459
Wholesale trade.....	18,023	19,351	19,939	20,343	21,292	21,567	21,005	21,669	21,931	22,324
Retail trade.....	22,657	23,234	23,540	23,777	23,805	24,295	24,477	24,649	25,819	26,672
Transportation and warehousing.....	13,768	15,530	15,803	16,184	17,246	21,009	22,067	23,851	26,948	27,722
Broadcasting/publishing/internet technology.....	19,557	19,073	22,371	24,774	24,137	23,645	27,145	23,551	23,170	24,382
Finance and insurance.....	21,228	23,688	24,599	25,423	26,806	27,385	27,511	28,251	28,584	29,513
Real estate and rental and leasing.....	2,668	3,245	5,550	7,296	7,894	9,078	9,442	9,380	9,339	9,674
Professional and technical services.....	35,375	37,156	38,893	39,543	41,302	43,513	45,112	47,336	48,932	51,996
Management of companies and enterprises.....	13,355	15,120	16,121	17,148	17,433	18,435	18,236	19,137	20,246	21,015
Administrative services.....	11,938	12,853	12,997	13,557	14,135	14,807	14,900	16,055	16,860	17,613
Educational services.....	11,959	12,447	12,952	13,285	13,798	14,290	15,097	15,248	15,893	16,591
Health care and social assistance.....	53,046	54,711	56,093	57,778	59,183	61,777	63,583	65,735	69,085	72,314
Arts, entertainment, and recreation.....	4,104	4,237	4,451	4,558	5,062	5,065	5,651	5,765	6,038	6,338
Accommodation and food services.....	8,779	9,382	10,014	10,411	10,829	11,451	11,922	12,402	13,045	13,560
Other services, except public administration.....	13,196	13,585	14,464	14,381	15,187	16,272	16,559	16,869	17,703	18,459
<b>Total private earnings</b> .....	<b>316,871</b>	<b>333,955</b>	<b>349,378</b>	<b>362,166</b>	<b>375,767</b>	<b>391,870</b>	<b>400,559</b>	<b>413,388</b>	<b>430,848</b>	<b>448,504</b>
<b>Government:</b>										
Federal, civilian.....	9,823	9,827	9,669	9,411	9,619	9,933	10,124	10,455	10,834	11,101
Military.....	1,676	1,547	1,509	1,467	1,394	1,370	1,426	1,410	1,502	1,593
State government.....	12,893	12,916	12,675	13,249	13,421	13,883	13,998	14,110	14,340	14,668
Local government.....	32,944	32,436	31,529	33,501	33,698	34,227	34,676	34,954	36,021	37,012
<b>Total government earnings</b> .....	<b>57,336</b>	<b>56,726</b>	<b>55,382</b>	<b>57,628</b>	<b>58,132</b>	<b>59,413</b>	<b>60,224</b>	<b>60,929</b>	<b>62,697</b>	<b>64,374</b>
<b>Total nonfarm earnings</b> .....	<b>374,207</b>	<b>390,681</b>	<b>404,760</b>	<b>419,794</b>	<b>433,899</b>	<b>451,283</b>	<b>460,783</b>	<b>474,317</b>	<b>493,545</b>	<b>512,878</b>
<b>Total workplace earnings</b> .....	<b>375,549</b>	<b>392,460</b>	<b>406,815</b>	<b>422,099</b>	<b>436,521</b>	<b>452,960</b>	<b>461,627</b>	<b>475,934</b>	<b>494,566</b>	<b>514,355</b>
<b>Other earnings/deductions (3)</b> .....	<b>158,921</b>	<b>170,975</b>	<b>180,707</b>	<b>170,874</b>	<b>182,866</b>	<b>191,486</b>	<b>200,726</b>	<b>205,725</b>	<b>222,689</b>	<b>228,569</b>
<b>Total personal income</b> .....	<b>\$ 534,470</b>	<b>\$ 563,435</b>	<b>\$ 587,522</b>	<b>\$ 592,973</b>	<b>\$ 619,387</b>	<b>\$ 644,446</b>	<b>\$ 662,353</b>	<b>\$ 681,659</b>	<b>\$ 717,255</b>	<b>\$ 742,924</b>
<b>Total personal income subject to the direct personal income tax rate (4)(5)</b> .....	<b>\$ 310,368</b>	<b>\$ 321,131</b>	<b>\$ 340,162</b>	<b>\$ 340,150</b>	<b>\$ 357,088</b>	<b>\$ 374,294</b>	<b>\$ 372,576</b>	<b>\$ 395,769</b>	<b>N/A</b>	<b>N/A</b>
<b>Direct personal income tax rate</b> .....	<b>3.07%</b>									

**Sources:**  
 Personal income by industry is provided by the Bureau of Economic Analysis, US Department of Commerce ([www.bea.gov/index.htm](http://www.bea.gov/index.htm)) through estimates released September 2020.  
 Total personal income subject to the direct tax rate was obtained from the Pennsylvania Department of Revenue. The information for the 2017 calendar year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-February 2019 (Fiscal Year 2018-19). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for February 2019. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**Notes:**  
 (1) Various calendar years differ from the totals shown in the Commonwealth's Comprehensive Annual Financial Report for June 30, 2019. The amounts shown in the prior year were based on estimates released by the Bureau of Economic Analysis, U.S. Department of Commerce in September 2019. These estimates have subsequently been revised (as provided in the September 2020 release).  
 (2) Personal income by industry is reported under the North American Industry Classification System.  
 (3) Other earnings/deductions include dividends, interest and miscellaneous employee/employer contributions/deductions.  
 (4) Total personal income subject to the direct personal income tax rate consists of taxable compensation, interest, dividends, net profits and other income, prior to the application of various tax credits. This amount is self-assessed by the taxpayer on their tax returns for the tax year. Due to the complexity and length of the tax return filing and review process, the total compilation is not yet available for release by the Pennsylvania Department of Revenue for the 2018 and 2019 tax years.  
 (5) This information is presented by tax year, rather than by calendar year, as the personal income by industry is presented. An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). The information presented is based on those returns of the filers whose tax year ended during the applicable calendar year.

**Commonwealth of Pennsylvania**  
**Revenue Capacity- Personal Income tax**  
**Table 6**  
**Personal Income Tax Filers and Liability by Income Level**  
**2008 and 2017 Tax Years**

(liability amounts in thousands)

Taxable Income Level	2008 Tax Year (1)(2)(3)(5)				2017 Tax Year (1)(2)(3)(5)				
	Number of Filers	Percentage of Total (6)	Personal Income Tax Liability (4)	Percentage of Total (6)	Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal Income Tax Liability (4)	Percentage of Total (6)
\$0	129,481	2.13 %	\$ —	0.00 %	\$0	245,909	3.87 %	\$ —	0.00 %
\$1-999	377,588	6.21 %	4,506	0.05 %	\$1-9,999	1,512,061	23.77 %	173,562	1.43 %
\$1,000-2,999	407,454	6.71 %	24,323	0.25 %	\$10,000-19,999	780,429	12.27 %	353,024	2.91 %
\$3,000-4,999	320,880	5.28 %	39,034	0.40 %	\$20,000-29,999	640,355	10.07 %	489,779	4.03 %
\$5,000-6,999	263,961	4.34 %	48,293	0.50 %	\$30,000-39,999	548,452	8.62 %	585,918	4.82 %
\$7,000-8,999	218,115	3.59 %	53,361	0.55 %	\$40,000-49,999	433,493	6.81 %	596,497	4.91 %
\$9,000-10,999	191,085	3.14 %	58,529	0.61 %	\$50,000-74,999	742,608	11.67 %	1,399,729	11.52 %
\$11,000-12,999	174,050	2.86 %	64,071	0.66 %	\$75,000-99,999	463,954	7.29 %	1,233,511	10.15 %
\$13,000-14,999	163,767	2.69 %	70,292	0.73 %	\$100,000-249,999	803,133	12.63 %	3,616,731	29.77 %
\$15,000-16,999	154,021	2.53 %	75,592	0.78 %	\$250,000-499,999	134,713	2.12 %	1,388,202	11.43 %
\$17,000-18,999	145,447	2.39 %	80,340	0.83 %	\$500,000-999,999	38,873	0.61 %	801,894	6.60 %
\$19,000-21,999	212,244	3.49 %	133,541	1.38 %	\$1,000,000 or more	17,407	0.27 %	1,511,249	12.44 %
\$22,000-24,999	203,464	3.35 %	146,705	1.52 %					
\$25,000-29,999	314,047	5.17 %	264,715	2.74 %					
\$30,000-34,999	281,392	4.63 %	280,237	2.90 %					
\$35,000-39,999	247,769	4.08 %	284,800	2.95 %					
\$40,000-49,999	411,569	6.77 %	565,797	5.85 %					
\$50,000-74,999	718,003	11.82 %	1,354,908	14.02 %					
\$75,000-99,999	434,406	7.15 %	1,152,382	11.92 %					
\$100,000-149,999	392,996	6.47 %	1,452,857	15.03 %					
\$150,000 or more	315,038	5.18 %	3,512,275	36.33 %					
<b>Total (6)</b>	<b>6,076,777</b>	<b>100.00 %</b>	<b>\$ 9,666,558</b>	<b>100.00 %</b>	<b>Total</b>	<b>6,361,387</b>	<b>100.00 %</b>	<b>\$12,150,097</b>	<b>100.00 %</b>

**Sources:**

For the 2008 tax year, all of the information was provided directly by the Pennsylvania Department of Revenue. For the 2017 tax year, the number of filers per taxable income level and the personal income subject to the direct personal income tax rate per income level (used in the Personal Income Tax Liability estimation) were obtained from the Statistical Supplement for the Pennsylvania Tax Compendium-February 2019 (Fiscal Year 2018-19). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for February 2019. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**Notes:**

(1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest personal income tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's personal income tax revenue.

(2) An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year ended during the 2008 or 2017 calendar years.

(3) Due to the complexity and length of the tax return filing and review process, the total compilation of personal income subject to the direct tax rate per income level was not yet available for release by the Pennsylvania Department of Revenue for the 2018 and 2019 tax years. This compilation is used in the calculation of the estimated personal income tax liability. Therefore, the 2008 and 2017 tax years are presented as an alternative comparison.

(4) The estimated total personal income tax liability is calculated by multiplying the total personal income (as self-assessed by the individual tax filer) for the income level by the tax rate applicable during the tax year. The estimated liability is presented before any applicable tax credits were applied. Beginning with the 2004 tax year, the rate increased to 3.07%. This rate has been in effect for all subsequent tax years.

(5) Beginning with the 2017 tax year, the captions used by the Pennsylvania Department of Revenue changed. The amounts for the 2008 tax year are reported within the original captions; whereas the amounts reported in the 2017 tax year are reported within the new captions.

(6) Totals may not foot due to rounding.

**Commonwealth of Pennsylvania**  
**Revenue Capacity-Sales Tax**

Table 7

Estimated Taxable Sales by Industry Classification of the Vendor  
For the Last Ten Fiscal Years Ended June 30

(Amounts in thousands)	2010	2011	2012	2013	2014	2015	2016 (3)	2017 (3)	2018 (3)	2019 (3)
<b>Estimated Taxable Sales by Industry (1)(2)</b>										
Manufacturing .....	\$ 6,310,433	\$ 7,182,245	\$ 7,426,068	\$ 7,391,732	\$ 7,555,033	\$ 6,866,437	\$ 6,852,700	\$ 6,788,750	\$ 7,262,917	\$ 7,466,667
Public utilities .....	4,750,250	5,002,202	4,680,907	4,492,653	4,761,067	4,624,260	4,565,533	4,583,617	4,647,817	4,666,667
Wholesale trade .....	10,492,100	11,590,333	12,419,575	12,316,835	12,792,633	14,385,888	14,344,567	14,582,100	15,700,450	17,150,000
Building materials .....	8,140,533	8,714,365	8,878,250	9,039,222	9,158,683	9,515,812	9,906,717	10,125,267	10,484,900	11,416,667
General merchandise .....	18,601,350	19,740,610	19,354,965	19,879,167	19,969,650	20,713,098	21,196,000	21,704,150	22,933,933	25,933,333
Food and beverage stores .....	6,416,383	6,437,433	6,440,322	6,580,377	6,575,817	6,605,795	6,901,517	6,836,300	6,862,217	7,200,000
Automotive dealers .....	3,753,567	3,997,238	4,157,458	4,122,673	4,367,833	4,775,440	4,926,033	4,843,200	4,796,450	5,100,000
Furniture and appliances .....	4,931,917	5,336,590	5,376,648	5,285,463	5,176,483	5,836,548	6,105,367	6,210,833	6,377,833	6,516,667
Other retail stores .....	5,580,450	6,095,245	6,408,673	6,447,917	6,414,917	6,228,017	6,459,733	6,849,317	6,808,683	7,050,000
Agriculture and mining .....	773,133	838,863	930,587	934,048	906,617	1,178,700	972,767	858,350	991,000	1,133,333
Construction .....	2,595,217	2,953,357	3,203,795	3,175,267	3,270,033	3,590,792	4,553,317	4,710,583	4,685,267	4,966,667
Service .....	40,899,250	43,579,387	43,694,423	45,039,627	46,338,883	47,927,008	49,470,517	51,073,967	53,224,817	57,066,667
Transportation, delivery, and warehousing .....	365,150	371,315	420,053	472,217	490,583	518,767	562,800	525,000	597,467	650,000
Government .....	383,150	411,452	362,387	305,027	342,117	281,192	295,717	305,767	328,633	350,000
Unclassified .....	1,363,333	1,254,633	1,042,267	1,132,720	1,194,517	755,647	1,417,100	1,607,417	1,684,550	1,050,000
Motor vehicle .....	16,595,200	17,714,378	19,343,573	19,459,690	20,626,333	22,103,607	22,453,967	22,779,633	23,211,650	24,733,333
Liquor sales .....	1,868,083	1,950,641	2,064,488	2,153,927	2,219,167	2,311,442	2,268,800	2,356,700	2,424,133	2,500,000
<b>Total sales tax estimated base (4)</b> .....	<b>\$ 133,819,499</b>	<b>\$ 143,170,287</b>	<b>\$ 146,204,439</b>	<b>\$ 148,228,562</b>	<b>\$ 152,160,366</b>	<b>\$ 158,218,450</b>	<b>\$ 163,253,152</b>	<b>\$ 166,740,951</b>	<b>\$ 173,022,717</b>	<b>\$ 184,950,001</b>
<b>Total direct sales tax rate</b> .....	<b>6.0 %</b>									

**Sources:**

Sales tax remittances by industry and total direct sales tax rate (both used in the calculation of estimated taxable sales by industry) are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2019 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-February 2019 (Fiscal Year 2018-19). The total direct sales tax rate was obtained from the Pennsylvania Tax Compendium for February 2019. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**Notes:**

- (1) Estimated taxable sales are calculated based on sales tax remittances (made by vendors with their tax returns processed during the fiscal year) divided by the direct sales tax rate of 6%.
- (2) Estimated taxable sales are organized by major industrial activity of the vendor and do not represent sales by product type. These are presented based on the North American Industry Classification System.
- (3) Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2020 fiscal year. Therefore, fiscal years 2010 through 2019 are presented as an alternative comparison.
- (4) Totals may not foot due to rounding.

**Commonwealth of Pennsylvania**

**Revenue Capacity-Sales Tax**

Table 8

Sales Tax Remittance by Major Industry Classification

Fiscal Years Ended June 30, 2010 and June 30, 2019

(Amounts in thousands)

June 30, 2010 (1)(2)			June 30, 2019 (1)(2)		
Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total	Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total
Manufacturing .....	\$ 378,626	4.72 %	Manufacturing .....	\$ 448,000	4.04 %
Public utilities .....	285,015	3.55 %	Public utilities .....	280,000	2.52 %
Wholesale trade .....	629,526	7.84 %	Wholesale trade .....	1,029,000	9.27 %
Building materials .....	488,432	6.08 %	Building materials .....	685,000	6.17 %
General merchandise .....	1,116,081	13.90 %	General merchandise .....	1,556,000	14.02 %
Food and beverage stores .....	384,983	4.79 %	Food and beverage stores .....	432,000	3.89 %
Automotive dealers .....	225,214	2.80 %	Automotive dealers .....	306,000	2.76 %
Furniture and appliances .....	295,915	3.69 %	Furniture and appliances .....	391,000	3.52 %
Other retail stores .....	334,827	4.17 %	Other retail stores .....	423,000	3.81 %
Agriculture and mining .....	46,388	0.58 %	Agriculture and mining .....	68,000	0.61 %
Construction .....	155,713	1.94 %	Construction .....	298,000	2.69 %
Service .....	2,453,955	30.56 %	Service .....	3,424,000	30.86 %
Transportation, delivery, and warehousing .....	21,909	0.27 %	Transportation, delivery, and warehousing .....	39,000	0.35 %
Government .....	22,989	0.29 %	Government .....	21,000	0.19 %
Unclassified .....	81,800	1.02 %	Unclassified .....	63,000	0.57 %
Motor vehicle .....	995,712	12.40 %	Motor vehicle .....	1,484,000	13.37 %
Liquor sales .....	112,085	1.40 %	Liquor sales .....	150,000	1.35 %
Total (5) .....	<u>\$ 8,029,170</u>	100.00 %	Total (5) .....	<u>\$ 11,097,000</u>	100.00 %
Sales Tax Licenses (6) .....	233,910		Sales Tax Licenses (6) .....	232,497	

**Sources:**

Sales tax remittances by industry and the number of sales tax licenses are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2019 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-February 2019 (Fiscal Year 2018-19). This publication was obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**Notes:**

- (1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest sales tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's sales tax revenue.
- (2) Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2020 fiscal year. Therefore, fiscal years 2010 and 2019 are presented as an alternative comparison.
- (3) Sales tax liability is based on sales tax remittances made with tax returns processed during the fiscal year. The direct sales tax rate applicable to both years is 6%.
- (4) Sales tax remittances are organized by major industrial activity of the vendor and does not represent sales by product type. Both years are presented using the North American Industry Classification System (N.A.I.C.S.) Group.
- (5) Totals may not foot due to rounding.
- (6) The Commonwealth does not maintain a list of sales tax filers by the N.A.I.C.S. standard industry grouping, and as noted in Note (1), cannot disclose the names of the ten largest sales tax filers. Therefore, the number of sales tax licenses is presented to indicate the potential number of filers during the applicable fiscal year.

**Commonwealth of Pennsylvania**  
**Revenue Capacity- Corporate Tax**  
Table 9  
Corporate Net Income Tax  
For the Last Ten Tax Years

	2008	2009	2010	2011	2012	2013	2014	2015 (6)	2016 (6) (7)	2017 (6)
<b>ESTIMATED CORPORATE NET INCOME TAXABLE BASE (1)(2)</b>										
Corporate Tax Report Compilation (amounts in thousands) .....	\$ 19,652,968	\$ 17,631,632	\$ 19,219,761	\$ 18,084,820	\$ 23,948,802	\$ 24,837,562	\$ 27,160,802	\$ 25,454,707	\$ 25,232,650	\$ 22,633,134
<b>NUMBER OF FILERS BY CORPORATE NET INCOME TAX LIABILITY RANGE (3)</b>										
\$0 .....	79,113	77,698	72,996	85,406	86,259	88,486	92,816	94,228	79,172	53,926
\$1-300 .....	7,492	6,978	7,133	6,959	7,029	6,481	6,199	6,214	6,148	9,178
\$301-500 .....	2,035	1,925	1,980	1,932	1,939	1,750	1,797	1,805	1,756	2,521
\$501-1,000 .....	3,119	2,868	2,950	2,963	3,046	2,852	2,796	2,889	2,716	3,969
\$1,001-5,000 .....	7,742	7,051	7,202	6,964	7,528	7,213	7,417	7,344	7,295	9,474
\$5,001-10,000 .....	2,803	2,490	2,566	2,655	2,829	2,786	2,849	2,860	2,826	3,428
\$10,001-25,000 .....	2,594	2,338	2,440	2,445	2,744	2,713	2,970	2,930	2,890	3,487
\$25,001-50,000 .....	1,424	1,291	1,429	1,387	1,559	1,620	1,781	1,770	1,701	1,985
\$50,001-100,000 .....	1,157	1,020	1,082	1,138	1,228	1,262	1,373	1,380	1,338	1,529
\$100,001-250,000 .....	992	865	956	1,030	1,225	1,207	1,241	1,246	1,283	1,335
\$250,001-500,000 .....	471	448	448	450	561	538	582	607	577	606
\$500,001-1,000,000 .....	278	279	297	307	379	344	377	355	345	381
>\$1,000,000 .....	304	267	289	273	418	429	462	441	423	349
<b>Total corporate net income tax filers (4)(5) .....</b>	<b>109,524</b>	<b>105,518</b>	<b>101,768</b>	<b>113,909</b>	<b>116,744</b>	<b>117,681</b>	<b>122,660</b>	<b>124,069</b>	<b>108,470</b>	<b>92,168</b>
<b>Total direct corporate net income tax rate .....</b>	<b>9.99%</b>	<b>9.99%</b>								

**Sources:**  
Information provided by the Pennsylvania Department of Revenue. The direct corporate net income tax rate was obtained from the Pennsylvania Tax Compendium for February 2019. This publication was obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**Notes:**  
(1) Pennsylvania is one of only a few states that levy a tax on corporate net income (corporate net income tax - CNIT). This table presents the positive corporate net income tax base, as well as the number of filers associated with this tax by liability range. It also presents the statutory corporate net income tax rate.  
(2) The CNIT is based on separate company federal taxable income and includes a number of additions to/subtractions from that base. This table shows the compilation of all reported taxable income (federal income adjusted to the PA base and then apportioned). Many corporations report negative federal taxable income. In addition, the net operating loss deductions that Pennsylvania allows reduce otherwise profitable corporations' incomes below \$0.  
(3) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth can not disclose the names of the ten largest corporate net income tax filers. Therefore, the schedule of the number of filers by corporate net income tax liability range is presented as an alternative comparison regarding the sources of the Commonwealth's corporate net income tax revenue. Those filers that report negative state taxable income are reported in the tax liability range of \$0, which accounts for the large number of filers within that range.  
(4) Due to the complexity and length of the tax return filing and review process, the total compilation of corporate net income subject to the direct corporate tax rate was not yet available for release by the Pennsylvania Department of Revenue for the 2018 and 2019 tax years. Therefore, tax years 2008 through 2017 are presented as an alternative comparison.  
(5) The corporate filer's tax year is defined as that period for which it must file a tax return. Though some filers have the last day of their filing year fall on December 31st, many filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year began during the associated calendar years.  
(6) For tax years 2008 through 2015, the amounts presented are actual. The amounts presented for the 2015 tax year may differ from the amounts presented in the same table in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2019 fiscal year, since that amount was an estimate. For the 2016 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2019 CAFR. And for the 2017 tax year, the amounts presented are an estimate.  
(7) The total number of filers in the preliminary estimate for the 2016 tax year decreased by over 17,000 compared to the 2015 tax year. In prior tax years, an entity filing both CSFT and CNIT was considered a C Corporation unless explicitly noted otherwise. For this reason, some non-C corporations that did not completely fill out returns were erroneously considered CNIT filers. With the elimination of the capital stock/foreign franchise tax in the 2016 tax year, these entities stopped filing returns, explaining the drop in the number of C corporations.

**Commonwealth of Pennsylvania**

**Debt Capacity**

Table 10

Outstanding Debt and Outstanding Debt Ratios

For the Last Ten Fiscal Years Ended June 30

(Expressed in Thousands, Except Debt per Capita)

PRIMARY GOVERNMENT (1)(2)(3)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental activities:</b>										
General obligation bonds .....	\$ 10,443,190	\$ 11,538,799	\$ 11,821,622	\$ 12,674,929	\$ 12,976,531	\$ 12,517,909	\$ 12,966,490	\$ 13,415,631	\$ 12,490,765	\$ 11,497,176
Capital leases/installment purchase obligations .....	26,907	129,757	125,020	117,961	110,208	103,183	100,054	99,259	96,725	95,226
Other financing obligations .....	67,500	334,230	324,860	315,620	285,740	285,740	285,740	502,390	567,052	480,790
<b>Total governmental .....</b>	<b>10,537,597</b>	<b>12,002,786</b>	<b>12,271,502</b>	<b>13,108,510</b>	<b>13,372,479</b>	<b>12,906,832</b>	<b>13,352,284</b>	<b>14,017,280</b>	<b>13,154,542</b>	<b>12,073,192</b>
<b>Business-type activities:</b>										
Demand revenue bonds payable .....	—	—	300,000	166,635	9,565	—	—	—	—	—
Notes payable .....	—	—	199	—	—	—	—	—	—	—
Revenue bonds payable .....	—	—	4,635,760	4,381,432	4,182,896	3,681,734	3,893,393	5,319,824	5,086,362	4,417,523
<b>Total business-type .....</b>	<b>—</b>	<b>—</b>	<b>4,935,959</b>	<b>4,548,067</b>	<b>4,192,461</b>	<b>3,681,734</b>	<b>3,893,393</b>	<b>5,319,824</b>	<b>5,086,362</b>	<b>4,417,523</b>
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 10,537,597</b>	<b>\$ 12,002,786</b>	<b>\$ 17,207,461</b>	<b>\$ 17,656,577</b>	<b>\$ 17,564,940</b>	<b>\$ 16,588,566</b>	<b>\$ 17,245,677</b>	<b>\$ 19,337,104</b>	<b>\$ 18,240,904</b>	<b>\$ 16,490,715</b>
<b>Debt as a Percentage of Personal Income (4)(5) .....</b>	<b>1.97 %</b>	<b>2.13 %</b>	<b>2.93 %</b>	<b>2.98 %</b>	<b>2.84 %</b>	<b>2.57 %</b>	<b>2.60 %</b>	<b>2.84 %</b>	<b>2.54 %</b>	<b>2.22 %</b>
<b>Amount of Debt per Capita (4)(5) .....</b>	<b>\$ 829</b>	<b>\$ 942</b>	<b>\$ 1,348</b>	<b>\$ 1,382</b>	<b>\$ 1,374</b>	<b>\$ 1,298</b>	<b>\$ 1,349</b>	<b>\$ 1,512</b>	<b>\$ 1,425</b>	<b>\$ 1,288</b>

Source: The Commonwealth's Comprehensive Annual Financial Report (CAFR), as presented for the applicable fiscal year. For fiscal years 2011-2012, the information can be found in the statement of net assets. Beginning with the 2013 fiscal year, the information can be found in the statement of net position.

- Notes:**
- (1) Beginning with the 2013 fiscal year, the Commonwealth implemented GASB 61, which affected this table. With the implementation of GASB 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. Therefore, their outstanding debt is now reported within the business-type activities caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental activities caption. These changes have not been retroactively applied to prior fiscal years.
  - (2) Each caption includes the reported current and noncurrent amounts of the outstanding debt.
  - (3) Details on the Commonwealth's total outstanding debt for June 30, 2020 can be found in Note 6 for both governmental activities and business-type activities.
  - (4) See Table 14 for summarized totals for personal income and population data that were used in the calculations of these ratios. Personal income detail is presented in Table 5. As detailed in Table 5 or 14 (as appropriate), the personal income and population data have changed in several calendar years from what was presented in those tables in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2019 fiscal year. As a result, the calculated ratios based on the data from those calendar years may differ from what was presented in this table in the June 30, 2019 CAFR.
  - (5) Debt ratios use total outstanding debt which is presented by fiscal year ended June 30, while the personal income and population data used in the calculations are presented by calendar year.

**Commonwealth of Pennsylvania****Debt Capacity**

## Table 11

## Ratios of General Obligation Bonded Debt Outstanding

## Last Ten Fiscal Years Ended as of June 30

(Amounts in thousands)

Fiscal Year	(1) General Obligation Bonds	(2) Percentage of Actual Tax Revenues	(3) Per Capita
2011	\$ 10,443,190	35.12%	\$ 820
2012	11,538,799	37.68%	901
2013	11,821,622	37.20%	923
2014	12,674,929	39.69%	991
2015	12,976,531	37.03%	1,014
2016	12,517,909	35.84%	977
2017	12,966,490	35.93%	1,014
2018	13,415,631	36.19%	1,045
2019	12,490,765	31.67%	975
2020	11,497,176	29.76%	898

**Sources:**

Information was obtained from the Commonwealth's Comprehensive Annual Financial Report for the applicable fiscal year. General obligation bonds can be found in the statement of net position, and the tax revenues used in the percentage of actual tax revenues can be found in the statement of activities.

**Notes:**

(1) General obligation bonds amounts include the reported current and noncurrent amounts.

(2) The Commonwealth's general obligation bonds are expected to be repaid with general tax revenues. Therefore, the total taxes shown in the governmental activities section of the statement of activities are used in this calculation.

(3) General obligation bond amounts used in the per capita calculation are presented as of the fiscal year end. The population data used in the calculation is shown in Table 14, and is as of July 1 of the applicable fiscal year. As detailed in Table 14, the population data has changed in several calendar years from what was presented in that table in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2019 fiscal year. As a result, the calculated ratios based on the data from those calendar years may differ from what was presented in this table in the June 30, 2019 CAFR.

**Commonwealth of Pennsylvania**

**Debt Capacity**

Table 12

Computation of Legal Debt Margin

As of August 31 for the Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average annual tax revenues deposited in the previous five fiscal years.....	\$33,234,462,394	\$33,742,407,887	\$34,173,780,183	\$35,048,322,844	\$36,290,613,411	\$37,326,634,317	\$38,281,016,071	\$39,318,865,371	\$40,738,613,073	\$41,212,144,284
Constitutional factor.....	x 1.75									
Constitutional debt limit for debt incurred without the approval of the electors (A).....	58,160,309,190	59,049,213,802	59,804,115,320	61,334,564,977	63,508,573,469	65,321,610,054	66,991,778,124	68,808,014,400	71,292,572,878	72,121,252,497
Less outstanding net debt (non-electorate approved).....	8,520,640,376	9,194,240,832	9,331,058,456	9,960,500,105	10,640,300,242	11,423,804,500	10,590,276,500	10,999,114,101	10,222,540,310	9,571,847,906
<b>Legal debt margin (B).....</b>	<b>\$49,639,668,814</b>	<b>\$49,854,972,970</b>	<b>\$50,473,056,864</b>	<b>\$51,374,064,872</b>	<b>\$52,868,273,227</b>	<b>\$53,897,805,554</b>	<b>\$56,401,501,624</b>	<b>\$57,808,900,299</b>	<b>\$61,070,032,568</b>	<b>\$62,549,404,591</b>
<b>Total outstanding net debt applicable to the constitutional limit as a percentage of the constitutional limit.....</b>	<b>14.65 %</b>	<b>15.57 %</b>	<b>15.60 %</b>	<b>16.24 %</b>	<b>16.75 %</b>	<b>17.49 %</b>	<b>15.81 %</b>	<b>15.99 %</b>	<b>14.34 %</b>	<b>13.27 %</b>

Source: The Governor's Budget Office

**Notes:**

(A) The formula for the legal debt limit is contained in Article VIII, Section 7(a) of the Pennsylvania Constitution, which provides:

No debt shall be incurred by or on behalf of the Commonwealth except by law and in accordance with the provisions of this section.

(1) Debt may be incurred without limit to suppress insurrection, rehabilitate areas affected by man-made or natural disaster, or to implement unissued authority by the electors prior to the adoption of this article.

(2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.

(3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.

(4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

(B) Each of the above figures used in the calculation of the legal debt margin are abstracted from a certification of the Auditor General dated August 31 of the subsequent fiscal year.

**Commonwealth of Pennsylvania**  
**Demographic and Economic**  
Table 13  
Employment by Nonfarm Related Industry  
For the Last Ten Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Employment by nonfarm related industry (1)(2)(3):</b>										
<b>Total nonfarm:</b>										
<b>Private earnings:</b>										
<b>Goods producing:</b>										
Natural resources and mining.....	26,700	33,800	37,100	36,000	37,800	34,000	25,000	26,700	28,600	29,500
Construction.....	215,000	221,600	224,300	223,900	229,000	235,400	239,100	249,000	255,800	261,300
Manufacturing.....	560,600	565,900	568,100	565,500	568,500	568,900	560,700	562,800	569,400	564,700
<b>Total goods producing.....</b>	<b>802,300</b>	<b>821,300</b>	<b>829,500</b>	<b>825,400</b>	<b>835,300</b>	<b>838,300</b>	<b>824,800</b>	<b>838,500</b>	<b>853,800</b>	<b>855,500</b>
<b>Service providing:</b>										
Trade.....	1,073,200	1,084,900	1,093,300	1,094,900	1,105,000	1,116,600	1,121,200	1,120,600	1,126,800	1,130,100
Information.....	93,500	91,300	90,600	88,000	85,600	85,200	84,600	84,500	85,800	86,800
Financial Activities.....	311,000	308,700	309,500	313,300	315,400	316,300	317,300	321,100	325,500	329,900
Professional and business services.....	692,600	719,500	736,100	751,000	764,600	782,600	796,600	801,800	804,500	810,700
Education and health services.....	1,127,900	1,144,100	1,156,400	1,163,000	1,180,600	1,192,100	1,218,600	1,245,500	1,274,800	1,291,300
Leisure and hospitality.....	500,600	511,300	524,200	532,200	537,600	545,300	557,400	566,700	571,600	576,800
Other services.....	250,700	253,400	254,200	252,100	253,200	254,400	259,100	259,400	260,400	262,100
<b>Total service providing.....</b>	<b>4,049,500</b>	<b>4,113,200</b>	<b>4,164,300</b>	<b>4,194,500</b>	<b>4,242,000</b>	<b>4,292,500</b>	<b>4,354,800</b>	<b>4,399,600</b>	<b>4,449,400</b>	<b>4,487,700</b>
<b>Total private earnings.....</b>	<b>4,851,800</b>	<b>4,934,500</b>	<b>4,993,800</b>	<b>5,019,900</b>	<b>5,077,300</b>	<b>5,130,800</b>	<b>5,179,600</b>	<b>5,238,100</b>	<b>5,303,200</b>	<b>5,343,200</b>
<b>Government.....</b>	<b>770,600</b>	<b>751,400</b>	<b>732,300</b>	<b>720,700</b>	<b>711,400</b>	<b>704,700</b>	<b>703,300</b>	<b>703,200</b>	<b>702,900</b>	<b>706,500</b>
<b>Total nonfarm.....</b>	<b>5,622,400</b>	<b>5,685,900</b>	<b>5,726,100</b>	<b>5,740,600</b>	<b>5,788,700</b>	<b>5,835,500</b>	<b>5,882,900</b>	<b>5,941,300</b>	<b>6,006,100</b>	<b>6,049,700</b>

**Source:** Information obtained from the Pennsylvania Department of Labor and Industry-Center for Workforce Information & Analysis website ([www.paworkstats.pa.gov](http://www.paworkstats.pa.gov)).

**Notes:**  
(1) Due to statutory requirements (confidentiality provisions), the Commonwealth cannot disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule. Farming related employment is not included on this schedule because most farms are not large enough to be required to provide the necessary data to the Pennsylvania Department of Labor and Industry.

(2) Various calendar years may differ from the totals presented in the same table in the June 30, 2019 CAFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.

(3) Totals may not foot due to rounding.

**Commonwealth of Pennsylvania**

**Demographic and Economic**

Table 14

Population and Per Capita Personal Income

For the Last Ten Calendar Years

Calendar Year	Population (1) (Expressed in thousands)			Personal Income (2) (Expressed in millions)			Per Capita (3) Personal Income			Pennsylvania rate percentage above/(below) U.S.
	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States		
									United States	
2010	12,711	309,322	4.11 %	\$ 534,470	\$ 12,541,995	4.26 %	\$ 42,047	\$ 40,547	3.70 %	
2011	12,746	311,557	4.09 %	563,435	13,315,478	4.23 %	44,205	42,739	3.43 %	
2012	12,767	313,831	4.07 %	587,522	13,998,383	4.20 %	46,018	44,605	3.17 %	
2013	12,776	315,994	4.04 %	592,973	14,175,503	4.18 %	46,412	44,860	3.46 %	
2014	12,788	318,301	4.02 %	619,387	14,982,715	4.13 %	48,434	47,071	2.90 %	
2015	12,785	320,635	3.99 %	644,446	15,717,140	4.10 %	50,407	49,019	2.83 %	
2016	12,782	322,941	3.96 %	662,353	16,151,881	4.10 %	51,818	50,015	3.60 %	
2017	12,788	324,986	3.93 %	681,659	16,937,582	4.02 %	53,306	52,118	2.28 %	
2018	12,801	326,688	3.92 %	717,255	17,839,255	4.02 %	56,032	54,606	2.61 %	
2019	12,802	328,240	3.90 %	742,924	18,542,262	4.01 %	58,032	56,490	2.73 %	

Sources: Population data is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce website at <http://www.bea.gov/index.htm>, whose source is the U.S. Bureau of Census' mid-year population estimate. Personal income details can be found in Table 5.

**Notes:**

(1) Population data is presented as of July 1 of the calendar year. The U.S. Bureau of Census' mid-year population estimate include revisions to the annual population estimate back to the calendar year of the most recent Census (2010 calendar year). Therefore, the totals shown may differ from what was presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2019 fiscal year.

(2) Personal income data is provided as of the calendar year. Various calendar years differ from the totals presented in the June 30, 2019 CAFR. See Table 5 for details.

(3) As a result of changes noted in Notes (1) and (2), the Per Capita Personal Income may differ from what was presented in the June 30, 2019 CAFR.

**Commonwealth of Pennsylvania**

**Demographic and Economic**

Table 15

Employment Information

For the Last Ten Calendar Years

Calendar Year	Pennsylvania (1)				United States				Pennsylvania rate percentage above/(below) U.S.
	Civilian Labor Force		Unemployed	Unemployment Rate	Civilian Labor Force		Unemployed	Unemployment Rate	
	Force	Employed			Force	Employed			
2010	6,381	5,841	540	8.5 %	153,889	139,064	14,825	9.6 %	(11.46)%
2011	6,396	5,889	507	7.9 %	153,617	139,869	13,747	8.9 %	(11.24)%
2012	6,463	5,957	506	7.8 %	154,975	142,469	12,506	8.1 %	(3.70)%
2013	6,442	5,968	475	7.4 %	155,389	143,929	11,460	7.4 %	— %
2014	6,392	6,018	374	5.9 %	155,922	146,305	9,617	6.2 %	(4.84)%
2015	6,413	6,074	339	5.3 %	157,130	148,834	8,296	5.3 %	— %
2016	6,449	6,102	347	5.4 %	159,187	151,436	7,751	4.9 %	10.20 %
2017	6,426	6,113	313	4.9 %	160,320	153,337	6,982	4.4 %	11.36 %
2018	6,424	6,151	273	4.2 %	162,075	155,761	6,314	3.9 %	7.69 %
2019	6,492	6,208	284	4.4 %	163,539	157,538	6,001	3.7 %	18.92 %

Sources: Information was obtained from the Center for Workforce Information & Analysis, Pennsylvania Department of Labor and Industry website at [www.paworkstats.geosolinc.com](http://www.paworkstats.geosolinc.com).

**Notes:**

(1) Various calendar years may differ from the totals presented in the same table in the June 30, 2019 CAFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.

Commonwealth of Pennsylvania

Operating Information

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Calendar Years Ended June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Direction and supportive services</b>										
Legislative.....	2,959	2,844	2,784	2,749	2,716	2,596	2,583	2,564	2,701	2,509
Revenue.....	1,965	1,934	1,883	1,867	1,902	1,869	1,880	1,856	1,651	1,670
Executive Offices.....	1,767	1,715	1,612	1,554	1,496	1,429	1,441	1,460	2,900	2,834
General Services.....	1,115	1,030	993	950	926	863	866	834	835	829
Auditor General.....	606	598	475	475	472	463	469	448	454	384
Treasurer.....	408	396	386	373	353	345	357	373	371	362
Other.....	270	273	268	256	248	239	230	1,549	118	329
<b>Total direction and supportive services.....</b>	<b>9,090</b>	<b>8,790</b>	<b>8,401</b>	<b>8,224</b>	<b>8,113</b>	<b>7,804</b>	<b>7,826</b>	<b>9,084</b>	<b>9,030</b>	<b>8,917</b>
<b>Protection of persons and property</b>										
Corrections.....	15,740	15,751	15,398	15,177	15,197	15,340	15,374	15,367	16,693	16,320
State Police.....	6,015	5,978	5,938	6,139	6,344	6,372	6,210	6,079	6,280	6,360
Liquor Control Board.....	4,847	4,952	5,007	5,086	5,093	5,166	5,424	5,358	5,350	5,363
Environmental Protection.....	2,609	2,648	2,616	2,522	2,491	2,412	2,411	2,319	2,305	2,350
Judiciary.....	2,154	2,176	2,150	2,171	2,160	2,179	2,178	2,090	2,072	2,028
Transportation.....	1,129	1,194	1,191	1,188	1,189	1,193	1,174	1,167	1,282	1,268
Probation and Parole Board.....	1,105	1,162	1,199	1,217	1,228	1,267	1,268	1,285	—	—
Agriculture.....	962	919	952	914	921	884	868	843	859	849
Attorney General.....	814	821	810	836	840	836	859	857	934	951
Military and Veterans Affairs.....	450	468	467	486	474	486	500	490	483	509
State.....	486	490	492	489	485	479	492	484	516	505
Other.....	1,870	1,923	1,844	1,827	1,782	1,729	1,713	1,692	1,710	1,719
<b>Total protection of persons and property.....</b>	<b>38,181</b>	<b>38,482</b>	<b>38,064</b>	<b>38,052</b>	<b>38,204</b>	<b>38,343</b>	<b>38,471</b>	<b>38,031</b>	<b>38,484</b>	<b>38,222</b>
<b>Public education</b>										
Education.....	503	521	514	499	488	474	475	438	448	453
Other.....	15	—	—	—	—	—	—	—	—	—
<b>Total public education.....</b>	<b>518</b>	<b>521</b>	<b>514</b>	<b>499</b>	<b>488</b>	<b>474</b>	<b>475</b>	<b>438</b>	<b>448</b>	<b>453</b>
<b>Health and human services</b>										
Human Services.....	17,169	16,995	16,504	16,643	16,829	17,164	16,914	16,064	16,013	15,971
Labor and Industry.....	4,632	4,599	4,140	4,037	3,785	3,674	3,108	2,837	2,908	3,253
Military and Veterans Affairs.....	2,049	2,023	1,924	1,961	1,949	1,959	1,923	1,925	1,884	1,952
Health.....	1,364	1,461	1,331	1,281	1,236	1,249	1,282	1,117	1,134	1,164
Other.....	206	220	252	284	301	290	279	277	263	278
<b>Total health and human services.....</b>	<b>25,420</b>	<b>25,298</b>	<b>24,151</b>	<b>24,206</b>	<b>24,100</b>	<b>24,336</b>	<b>23,506</b>	<b>22,220</b>	<b>22,202</b>	<b>22,618</b>
<b>Economic development</b>										
Labor and Industry.....	912	942	919	897	903	908	910	867	864	818
Community and Economic Development.....	311	302	321	313	307	299	298	283	288	290
<b>Total economic development.....</b>	<b>1,223</b>	<b>1,244</b>	<b>1,240</b>	<b>1,210</b>	<b>1,210</b>	<b>1,207</b>	<b>1,208</b>	<b>1,150</b>	<b>1,152</b>	<b>1,108</b>

**Commonwealth of Pennsylvania**

**Operating Information**

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Calendar Years Ended June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Transportation</b>										
Transportation .....	10,486	10,696	10,695	10,609	10,480	10,490	10,522	10,230	10,551	10,406
<b>Total transportation</b> .....	<b>10,486</b>	<b>10,696</b>	<b>10,695</b>	<b>10,609</b>	<b>10,480</b>	<b>10,490</b>	<b>10,522</b>	<b>10,230</b>	<b>10,551</b>	<b>10,406</b>
<b>Recreation and cultural enrichment</b>										
Conservation and Natural Resources .....	2,219	2,335	2,392	2,407	2,425	2,387	2,396	2,278	2,245	2,216
Game Commission .....	735	774	769	797	781	725	683	705	696	728
Fish and Boat Commission .....	486	481	448	433	416	432	426	409	402	403
Historical and Museum Commission .....	213	231	214	222	218	205	205	201	198	195
Other .....	50	51	43	41	42	41	40	40	43	45
<b>Total recreation and cultural enrichment</b> .....	<b>3,703</b>	<b>3,872</b>	<b>3,866</b>	<b>3,900</b>	<b>3,882</b>	<b>3,790</b>	<b>3,750</b>	<b>3,633</b>	<b>3,584</b>	<b>3,587</b>
<b>Total Commonwealth Employees</b> .....	<b>88,621</b>	<b>88,903</b>	<b>86,931</b>	<b>86,700</b>	<b>86,477</b>	<b>86,444</b>	<b>85,758</b>	<b>84,786</b>	<b>85,451</b>	<b>85,311</b>

**Source:** Employees for the Legislature, Judiciary, Auditor General, Treasury and Attorney General were provided by the individual agency. All other agencies fall within the Governor's jurisdiction and were provided by the Office of Administration.

**Commonwealth of Pennsylvania**  
**Operating Information**  
Table 17  
Operating Indicators by Function and Agency  
For the Last Ten Years Ended June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019 (5)	2020 (5)
<b>Direction and supportive services:</b>										
<b>Executive Offices</b>										
<b>Juvenile Court Judges' Commission</b>										
Juveniles arrested for violent crimes (1).....	4,317	3,742	3,348	2,965	2,669	2,609	2,840	2,400	2,016	1,773
<b>Protection of Persons and Property:</b>										
<b>Attorney General</b>										
Local drug task force arrests.....	5,950	6,198	6,781	7,388	8,472	7,008	7,778	6,294	5,520	5,520
Consumer complaints concerning business practices investigated and mediated.....	38,211	37,920	34,382	36,473	26,591	20,736	20,230	22,976	25,774	26,000
<b>Corrections</b>										
Inmates.....	51,638	51,184	51,382	51,118	50,366	49,913	48,510	48,353	46,482	46,446
<b>Military and Veterans Affairs</b>										
Pennsylvania National Guard End Strength Ceiling.....	19,181	19,244	19,301	19,708	19,969	19,699	19,615	18,919	18,330	17,933
Personnel receiving training at Fort Indiantown Gap.....	125,373	122,846	126,427	136,801	126,722	124,264	120,208	163,494	151,716	165,143
<b>Revenue</b>										
Households provided property tax or rent assistance (2).....	604,130	603,726	598,075	569,135	580,729	567,280	559,025	547,994	531,995	828,226
<b>Judiciary</b>										
Caseload (cases filed/reopened/appeals) (1).....	3,761,142	3,614,627	3,514,214	3,495,265	3,299,021	3,273,085	3,134,994	3,290,613	3,196,261	3,174,834
<b>Public Education:</b>										
<b>Higher Education</b>										
Full-Time Equivalent Enrollments at State-Supported Institutions of Higher Education:										
State System of Higher Education.....	112,030	109,738	107,012	104,458	102,322	99,870	97,477	94,243	90,224	88,411
Community Colleges.....	106,164	103,971	97,981	94,051	89,807	86,185	81,941	80,270	76,596	73,607
State-Related Universities.....	157,939	156,517	160,589	161,442	164,075	165,654	170,461	171,295	168,875	166,548
Non-State Related Universities and Colleges.....	840	809	806	858	842	865	1,040	1,122	1,350	1,463
<b>Health and human services:</b>										
<b>Aging and Long-Term Living</b>										
Comprehensive PACE/PACENET Program:										
Older Pennsylvanians enrolled (average).....	307,585	298,137	288,645	275,390	268,805	256,622	245,231	233,006	228,988	232,906
Prescriptions per year.....	10,341,180	10,288,430	9,739,080	9,040,508	8,381,953	7,565,493	6,775,596	6,248,623	5,534,545	5,255,396
<b>Health</b>										
Vital events (births, deaths, fetal deaths) registered (1).....	270,194	273,522	272,054	271,697	269,203	272,623	273,888	275,255	273,348	275,255
<b>Human Services</b>										
Persons participating in Medical Assistance (monthly average).....	2,135,477	2,225,011	2,123,710	2,147,889	2,354,542	2,716,782	2,852,697	2,907,652	2,886,140	2,860,197
Persons receiving cash assistance (monthly average).....	248,173	248,298	180,235	165,794	160,490	143,765	126,283	111,594	97,437	89,057
Community Mental Health Services										
Total persons provided mental health services.....	649,375	655,577	720,079	696,834	735,002	765,867	774,303	798,265	791,791	796,457
Persons receiving Intellectual Disability services.....	53,455	53,569	53,613	53,648	54,075	54,675	55,172	55,667	56,359	58,264

Commonwealth of Pennsylvania

Operating Information

Table 17  
Operating Indicators by Function and Agency  
For the Last Ten Years Ended June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019 (5)	2020 (5)
<b>Economic Development:</b>										
<b>Labor and Industry</b>										
Total occupational and industrial inspections performed.....	77,142	87,913	81,718	82,800	74,778	67,600	79,478	78,754	73,944	76,791
Vocational Rehabilitation-Eligible participants with active plans.....	48,652	45,471	52,354	52,000	52,500	41,579	39,771	49,495	53,074	52,000
<b>Transportation:</b>										
<b>Transportation</b>										
Miles of State maintained highways (3).....	39,793	39,797	39,792	39,760	40,000	40,000	40,000	40,000	40,000	40,000
Passengers carried by State-assisted operators (millions annually).....	432	441	435	430	426	404	397	387	395	397
<b>Highway and Bridge Construction/Reconstruction/Maintenance</b>										
Total miles of state maintained highways improved.....	5,792	5,976	4,956	3,954	5,060	5,291	5,305	6,156	5,185	6,287
Bridges rehabilitated/repaired.....	442	315	291	220	253	415	556	402	171	234
Bridges preserved.....	345	230	193	209	265	216	248	229	181	338
<b>Recreation and cultural enrichment:</b>										
<b>Conservation and Natural Resources</b>										
State park attendance (visitor days per calendar year / thousands annually).....	37,600	37,600	36,400	38,000	37,900	40,500	40,200	38,100	37,385	37,000
<b>Fish and Boat Commission</b>										
Fishing licenses sold.....	810,050	876,233	852,944	859,863	841,419	885,061	879,245	845,162	808,182	808,182
<b>Game Commission</b>										
Hunting licenses sold.....	927,527	931,060	925,000	952,989	943,836	935,767	914,244	886,817	860,212	843,008
<b>Historical and Museum Commission</b>										
Records maintained by the State Records Center.....	239,540	239,772	239,002	257,444	266,853	265,521	237,492	237,370	236,972	220,000
Annual ticketed visitors to commission historical sites and museums (in thousands) (4)....	245	250	260	327	384	377	332	347	316	325

Sources: Governor's Office of the Budget, Comptroller Offices, various agencies

Notes:

- (1) Amounts are presented as of December 31.
- (2) Property Tax and Rent Assistance rebate payments for claim year 2019 were accelerated into fiscal year 2019-20 in order to assist households during the COVID-19 pandemic.
- (3) Beginning with the 2015 fiscal year this figure is a rounded estimate.
- (4) Annual visitors was changed to annual ticketed visitors. Therefore, the amounts shown differ from what was presented in the June 30, 2019 CAFR.
- (5) For the latest fiscal year, a majority of the indicators presented are estimates. For the immediately previous fiscal year, the amounts that were presented as estimates in the Commonwealth's CAFR for the June 30, 2019 fiscal year have been revised. Therefore, the amounts shown may differ from what was presented in the June 30, 2019 CAFR.

Commonwealth of Pennsylvania

Operating Information

Table 18

Capital Asset Information by Function and Agency  
For the Last Ten Fiscal Years Ended June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>GOVERNMENTAL ACTIVITIES</b>										
<b>Direction and Supportive Services:</b>										
<b>Department of General Services</b>										
Number of buildings .....	116	116	116	115	115	115	115	115	115	114
Total pieces of machinery and equipment .....	139	155	134	141	147	138	144	156	187	199
Capital and Agency projects in design and/or construction (1) .....	725	764	799	767	647	315	258	231	281	293
Vehicles in fleet .....	16,353	15,821	14,704	14,542	14,253	14,555	14,674	14,981	15,138	15,375
<b>Protection of persons and property:</b>										
<b>Department of Corrections</b>										
State Correctional Institutions (2) .....	27	27	26	26	26	26	25	25	25	25
<b>State Police</b>										
Patrol vehicles .....	2,182	2,182	2,182	2,182	2,182	2,182	2,197	2,282	2,282	2,282
Police stations and/or troop headquarters (2) .....	25	25	26	26	26	26	26	26	26	26
<b>Department of Military and Veterans Affairs</b>										
Number of National Guard readiness centers (3) .....	180	171	157	125	121	116	123	122	120	119
<b>Public education:</b>										
<b>State System of Higher Education (SSHE)-Component Unit</b>										
Number of SSHE universities using Commonwealth owned buildings and land (3) .....	14	14	14	14	14	14	14	14	14	14
<b>Health and human services:</b>										
<b>Department of Human Services</b>										
Total number of hospital or treatment center complexes (2) .....	17	17	17	17	17	17	16	16	15	15
<b>Transportation:</b>										
<b>Department of Transportation</b>										
Total pieces of equipment .....	7,722	7,792	8,128	8,242	8,388	8,559	8,928	9,344	9,481	9,806
Total lane miles of highways (state or locally maintained) (4) .....	117,499	117,588	117,681	117,760	118,000	118,000	118,000	118,000	118,000	118,000
<b>Recreational and cultural enrichment:</b>										
<b>Department of Conservation and Natural Resources</b>										
Acres of land in state parks and forests (in millions) .....	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
<b>Game Commission</b>										
Acres of game lands (in millions) .....	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
<b>Fish Commission</b>										
Public boat launches .....	271	271	271	271	271	271	271	271	277	277
Total number of fish hatcheries .....	15	15	15	15	15	15	15	15	15	15
<b>Historical and Museum Commission</b>										
Museums and historic sites .....	40	39	39	37	37	34	30	29	28	28
<b>Economic Development:</b>										
<b>Department of Labor and Industry</b>										
Square footage of rehabilitation centers owned by the Commonwealth .....	444,035	444,035	469,065	469,065	469,065	469,065	469,065	469,065	469,065	469,065

Sources: Governor's Office of the Budget, Comptroller Offices and various agencies.

- Notes:
- (1) Beginning with the 2016 fiscal year, only projects that are actively being designed and/or constructed are included.
  - (2) State Correctional Institutions, police station/troop headquarters and hospital/treatment center complexes include nondepreciable capital assets (e.g. land) and depreciable assets (e.g. machinery and equipment, buildings, improvements, etc.).
  - (3) The State System of Higher Education (SSHE) is a discretely presented component unit. However, each of its universities uses land, buildings, and improvements which were purchased by the Commonwealth and are still reported as governmental activities capital assets in the Commonwealth's Statement of Net Position. See Note 1 in the Notes to the Financial Statements for a detailed description of this relationship.
  - (4) Beginning with the 2014 fiscal year, the estimated miles have been rounded to the nearest thousand.



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

# Appendix

**APPENDIX- Legend of Abbreviations**

The following legend presents descriptions of abbreviations that appear throughout the report:

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
ALT	All Electronic Tolling
APSCUF	Association of Pennsylvania State College and University Faculties
ARO	Asset Retirement Obligation
BFTDA	Ben Franklin Technology Development Authority
BMP	Best Management Practices
C&R	Compromise and Release
CAFR	Comprehensive Annual Financial Report
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CFA	Commonwealth Financing Authority
CFP	Charitable Food Program
CHC	Community HealthChoices
CHIP	Children's Health Insurance Program
CIP	Commonwealth Investment Program
COLA	Cost of Living Adjustments
CMO	Collateralized Mortgage Obligation
CRIZ	City Revitalization Improvement Zone
CTF	Collective Trust Fund
CU	Component Unit
DCED	Department of Community and Economic Development
DCP	Deferred Compensation Program
DDAP	Department of Drug and Alcohol Programs
DEP	Department of Environmental Protection
DGS	Department of General Services
DHS	Department of Human Services
DOH	Department of Health
DOR	Department of Revenue
DOT	Department of Transportation
DPCU	Discretely Presented Component Unit
EAFE	European, Australian, and Far East
EIO	Education Improvement Organization
EITC	Educational Improvement Tax Credit
EOSTC	Educational Opportunity Scholarship Tax Credit
ETF	Exchange-Traded Funds
EZP	Enterprise Zone Program
FFCRA	Families First Coronavirus Response Act
FPUC	Federal Pandemic Unemployment Compensation
FUA	Federal Unemployment Account
GA	General Assistance
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GO	General Obligation
GSE	Government Sponsored Enterprise
GSP	Guaranteed Savings Plan
HDC	Harristown Development Corporation
HOP	Health Options Program
IFPA	Insurance Fraud Prevention Authority
IBNR	Incurred But Not Reported

**APPENDIX- Legend of Abbreviations**

IRC	Internal Revenue Code
JCTC	Job Creation Tax Credit
KBRA	Kroll Bond Rating Agency
KIZ	Keystone Innovation Zone Program
KOZ	Keystone Opportunity Zone Program
L&I	Department of Labor and Industry
LCB	Liquor Control Board
LIBOR	London Interbank Offered Rate
LOC	Line of Credit
MBS	Mortgage-Backed Securities
MCO	Managed Care Organization
Mcare	Medical Care Availability and Reduction of Error Fund
MCM	Mellon Capital Management
MD&A	Management's Discussion and Analysis
MLF	Motor License Fund
MLP	Master Limited Partnership
MOU	Memorandum of Understanding
NAICS	North American Industry Classification System
NAP	Neighborhood Assistance Program
NAV	Net Asset Value
NOL	Net OPEB Liability
NPL	Net Pension Liability
NPP	Neighborhood Partnership Program
NRSRA	Nationally Recognized Statistical Rating Agencies
NRSRO	Nationally Recognized Statistical Rating Organization
NYSE	New York Stock Exchange
OFT	Oil Company Franchise Tax
OPEB	Other Postemployment Benefits
OSTC	Opportunity Scholarship Tax Credit
PACE	Pharmaceutical Assistance Contract for the Elderly
PCCA	Pennsylvania Convention Center Authority
PEBTF	Pennsylvania Employees Benefit Trust Fund
PEDA	Pennsylvania Energy Development Authority
PEDFA	Pennsylvania Economic Development Financing Authority
PEMA	Pennsylvania Emergency Management Agency
PennDOT	Pennsylvania Department of Transportation
PENNVEST	Pennsylvania Infrastructure Investment Authority
PEUC	Pandemic Emergency Unemployment Compensation
PG	Primary Government
PHEAA	Pennsylvania Higher Education Assistance Agency
PHEFA	Pennsylvania Higher Education Facilities Authority
PHFA	Pennsylvania Housing Finance Agency
PHIEA	Pennsylvania Health Insurance Exchange Authority
PHMC	Pennsylvania Historical and Museum Commission
PIB	Pennsylvania Infrastructure Bank Fund
PIDA	Pennsylvania Industrial Development Authority
PKSO	Pre-Kindergarten Scholarship Organization
PLCB	Pennsylvania Liquor Control Board
PPC	Port of Pittsburgh Commission
PRPA	Pennsylvania Regional Port Authority
PSDC	Philadelphia Shipyard Development Corporation

**APPENDIX- Legend of Abbreviations**

PSERS	Public School Employees' Retirement System
PTC	Pennsylvania Turnpike Commission
PTRR	Property Tax and Rent Rebate
PUA	Pandemic Unemployment Assistance
PURTA	Public Utility Realty Tax Act
REAP	Resource Enhancement and Protection Tax Credit
REHP	Retired Employees' Health Program
REIT	Real Estate Investment Trust
RPSP	Retired Pennsylvania State Police Program
RRI	Residential Revival Indiana
RSI	Required Supplementary Information
S&P	Standard & Poor's
SCC	State Conservation Commission
SEA	Sports and Exhibition Authority
SERS	State Employees' Retirement System
SMA	Separately Managed Accounts
SO	Scholarship Organization
SPP	Special Program Priorities
SPSBA	State Public School Building Authority
SSHE	State System of Higher Education
STIF	Short-Term Investment Fund
STIP	Short-Term Investment Pool
SWIF	State Workers' Insurance Fund
TANF	Temporary Assistance for Needy Families
TSCT	Thaddeus Stevens College of Technology
UC	Unemployment Compensation
USTIF	Underground Storage Tank Indemnification Fund